

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER



Dale R. Folwell, CPA
STATE TREASURER OF NORTH CAROLINA
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STATE AND LOCAL GOVERNMENT FINANCE DIVISION

LGC Update

Independent Auditors' Conference

May 2, 2024



Introduction

Debbie Tomasko

Secretary, Local Government Commission /
Director, State and Local Government Finance Division (SLGFD)

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Agenda

- Myth Busters
- Late Audits and Session Law 2023-59
- Process and Technology Changes
- Debt Topics



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Myth Busters



Myth: The LGC approves audits

Facts:

✓ [N.C.G.S. 159-34](#) requires that

Audits are filed with the Secretary of the LGC; the Secretary must determine that the audit and audit report substantially conform to the requirements of statute before approving invoices.

Contracts are approved by the Secretary of the LGC (with regard to the contract's form, terms, conditions, and compliance with the rules of the Commission).

Invoices are approved by the Secretary of the LGC (after determining that the audit and audit report substantially conform to the requirements of statutes).



Myth: An auditor must be on an LGC-approved list in order to be selected by a local government to perform an audit

Facts:

- ✓ LGC staff maintains a list of firms offering audit and non-audit services to local governments in North Carolina.
- ✓ List is available on our [“Audit Resources”](#) webpage.
- ✓ Information on the list is submitted by firms.
- ✓ Neither the LGC nor its staff recommend, endorse, or approve firms.
- ✓ If your firm would like to be included, email SLGFD@nctreasurer.com.



Myth: The state/the law/the LGC requires a local government to maintain an 8% fund balance

Facts:

- ✓ There is no statute or LGC policy that sets a required 8% (or any amount) fund balance.
- ✓ North Carolina General Statute 159-8(a) defines and limits the maximum amount of fund balance that may be appropriated in an annually budgeted fund, but there is no statutory minimum requirement for fund balance available.
- ✓ A unit may have an FPIC (Financial Performance Indicator of Concern) if its fund balance falls below a defined threshold



Myth: Amended contracts can be used to request an extension to the audit deadline

Facts:

- ✓ Amended contracts are not extension requests – the LGC does not grant extensions of due dates
- ✓ Amended contracts communicate modifications to the contract fees or the date that the audit will be submitted (they do not modify the due date)
- ✓ An amended contract is required for audits not submitted by December 1 (assuming original contract had October 31 as date to be submitted)



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Late Audits and Session Law 2023-59



Late Audits and Session Law 2023-59

North Carolina [Session Law 2023-59](#), An Act to Increase Compliance by Counties and Municipalities That Fail to Timely Submit an Annual Audit Report, was enacted in June 2023 and applies to audits for fiscal years ending on or after June 30, 2023.

Details are available on our [website](#).



Late Audits and Session Law 2023-59 - Timeline

- April 1** Date by which counties and municipalities must submit their prior fiscal year audit to avoid issuance of a notice.
- April 30** Date by which LGC staff must provide a notice to all counties and municipalities that did not submit an audit by April 1.
- July 1** Date after which counties and municipalities that have not submitted a prior fiscal year audit may be subject to withholding of a portion of sales tax distributions.



Late Audits and Session Law 2023-59 – Important Reminders

- There is no automatic withholding of sales tax distributions.
- The LGC must take action to initiate withholding.
- Units will be able to appeal the action before and after it is initiated.



Late Audits and Session Law 2023-59 – Guideline for Successful Appeal

Session Law 2023-59 required the LGC to establish and make available guidelines outlining specific criteria and circumstances that would warrant a successful appeal.

The LGC adopted a [resolution](#) establishing a guideline for successful appeal and providing other guidance at its December 5, 2023 meeting.



Late Audits and Session Law 2023-59 – Guideline for Successful Appeal

The Commission shall deem an appeal successful if a county or municipality states as the basis for appeal that the county or municipality has submitted all annual audit reports within 12 months of fiscal year end for each of the prior five fiscal years to the Secretary as required pursuant to G.S. 159-34(a) other than the audit for which the non-compliance notice was issued.

A county or municipality that cannot successfully appeal the Commission's action based on the guideline may submit an appeal based on other good cause with evidence to support the basis for the appeal.



Late Audits and Session Law 2023-59 – Guideline for Successful Appeal

The Commission retains the discretion to direct or delay withholding portions of sales tax distributions of counties and municipalities that have failed to submit an appeal or are unable to successfully appeal the Commission's action under the guideline established.



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Process and Technology Changes



Process and Technology Changes

- Coming Soon – LOGOS Audit Module
- UAL
- Online Resources and Reminders
 - Website resources
 - Audit Fees
 - Audit Reports
 - Automated emails



LOGOS Audit Module – Available for FY2024 Audits

LOGOS (Local Government System) is the system we are developing to help automate and streamline the submission and review of documents and information

LOGOS currently consists of the LGC-203/COLL-91 module

The DIW module will have the same look and feel as the LGC-203/COLL-91 module



LOGOS Audit Module – Features Available 2024

Replacement of the DIW worksheet with an automated interface

- Improved quality of data through data validation
- Display of only the questions applicable to the unit
- Use of Audit Module to communicate numeric corrections needed (instead of ARCs for this purpose)
- Upload of Auditor Communications



Data Entry Will Be Simplified

Audit Detail:
Unit Name: **Aberdeen** | Audit Year: **2023** | Version: **4** | Audit Status: **In Progress**

Unit Info | **Audit Data** | Notes/Files | Internal

Gov Fund Fin Statements | Notes to the Fin Statements | Other | Transmittal Doc Info | Performance Indicators | Summary

- ✓ Balance Sheet
- ✓ Statement of Revenues, Expenditures and Changes in Fund Balance

- Governmental Fund Financial Statements - Balance Sheet
- Governmental Fund Financial Statements - Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund - Budget and Actual				
Account#	Question	2022	2023	
984	Amount of Ad valorem tax collected (including motor vehicle and prior years) reported on budget actual statement	\$5,466,380	6,000,000.00	▲▼
985	Amount of Ad valorem tax budgeted (including motor vehicle and prior years) reported on budget actual statement	\$5,303,707	5,500,000.00	▲▼
General Fund				
Account#	Question	2022	2023	
1052	Mark to Market unrealized losses in the General Fund. (enter as a negative number)	\$0	0.00	▲▼
369	Total Intergovernmental revenue Include restricted and unrestricted revenues	\$5,239,171	100,000.00	▲▼
16	Total revenues	\$12,450,518	200,000.00	▲▼
370	Debt service expenditures. Include principal, interest paid, and bond/debt issuance costs on long-term debt	\$987,532	300,000.00	▲▼
532	Total expenditures Exclude expenditures in the other financing sources (uses) section.	\$11,998,017	400,000.00	▲▼
1050	Amount expended for Powell Bill expenditures in the General Fund	\$0	0.00	▲▼
17	Total Transfers in (Please do not net transfers-in against transfers-out)	\$0	600,000	▲▼
20	Total Transfers out (Please do not net transfers-in against transfers-out)	\$600,000	700,000.00	▲▼
533	Total Proceeds from all long-term debt issuances Exclude proceeds from refundings	\$949,205	800,000.00	▲▼
508	Debt Refunding - Net refunding proceeds against debt payoff and if positive place results on this line.	\$0	900,000.00	▲▼
509	Debt Refunding - Net refunding proceeds against debt payoff and if negative place results on this line.	\$0	100,000.00	▲▼

Previous Tab | Save | Cancel | Next Tab



Unit Questions Will Drive the Display/Suppression of Data Fields

Question	Audit Year
Is a water and/or sewer fund reported in the audited financial statements or does the unit have revenues, expenditures, capital assets or debt for a water and/or sewer system? The existence of, or lack thereof, a Stormwater fund should not have any bearing on the answer to this question.	No ▼
Is an electric fund reported in the audited financial statements or does the unit have revenues, expenditures, capital assets or debt for an electric system?	No ▼
For units that report an electric fund and may or may not belong to an Power Agency, please select the appropriate response.	Other Units with Electric Sys ▼
Does unit have Other Post-employment benefits (OPEB) assets, liabilities, and/or transactions recorded in their audited financial statements?	Yes ▼
Does unit have Law Enforcement Officer (LEO) pension assets, liabilities, and/or transactions recorded in their audited financial statements?	Yes ▼



Data Validation Will Be Performed

Account#	Question	2022	2023
337	Total current and non-current portion of Debt. Include: Bonds, bond anticipation notes, Capital leases, Premiums and discounts, installment purchases. Exclude: Compensated absences, Pensions, Other post-employment benefits (OPEB), Debt within the primary government, Amounts due to participants from internal service funds, Landfill closure/postclosure liability, Any other debt not directly related to long-term contracts.	<input type="text" value="\$744,477"/>	<input type="text" value="800,000.00"/>
343	Decreases made (principal paid) on Long-Term Debt in current fiscal year. Reduce for debt refunding.	<input type="text" value="\$777,706"/>	<input type="text" value=""/>

*Required input value



Auditor Communications Can Be Uploaded

Audit Detail:
Unit Name: **Morehead City** | Audit Year: **2024** | Version: **1** | Audit Status: **In Progress**

Unit Info

Add New Note

Auditor Provided - Communication Letter

Note Subject:
An Auditor Communication Letter

Note Type:
Auditor Provided - Communication Letter

Note Text:
Optional: if you need to provide to additional context regarding the auditor communication letters uploaded, please do so below:
This is a sample note to display the ability to upload Auditor Communication Letters. Including AU-C §260, AU-C §265, and Management Letters.

141/1000 characters

Upload

File Type(s)	File Name	Extension	
Management Letter	Management Letter	docx	View Delete
AU-C §260, AU-C §265	A Sample Document	pdf	View Delete

1

Save & Close Note

Close



LOGOS Audit Module – Features Available 2025

Upload of audit through the module

Other features as identified during rollout

Feedback? Suggestions? Have additional features you'd like to see?

Let us know! SLGFD@nctreasurer.com



Unit Assistance List

The Unit Assistance List is developed using data from DIWs (accurate entry of DIW data is essential)

The new UAL will score units on criteria in three categories:

General Fund

Water/Sewer Fund

Internal Controls

An economic/demographic score will be calculated but not used to determine inclusion on the UAL



Unit Assistance List

Scores will be weighted to identify areas of greater concern

Criteria formulas and scores will be available

Scores will consider current year data as well as multi-year trends

Scores will help to answer the questions:

“Why are we on the UAL?”

“How do we get off the UAL?”



Unit Assistance List

General Fund Score

- Use of fund balance for operations (5 year trend)
- Fund Balance Available (current year, based on FPIC threshold)
- Fund Balance Available (3 year trend, based on FPIC threshold)



Unit Assistance List

Water/Sewer Fund Score

- Quick Ratio
- Operating Net Income (5 year trend)
- Unrestricted Cash Ratio
- Transfers
- Condition of Assets



Unit Assistance List

Internal Controls Score

- Late audit (5 year trend)
- Reconciliations not timely (will be 3 year trend as data is available)
- Records not timely (will be 3 year trend as data is available)
- Budget violations (will be 3 year trend as data is available)
- Statutory violations (will be 3 year trend as data is available)



Online Resources

[File Upload Portal](#) – upload contracts, audits, invoices, FPIC responses

[Information on Applying for Debt](#) – deadlines, guidelines, etc.

[Debt Inquiry Portal](#) – easiest and quickest way to communicate with LGC staff

[LGC Meetings](#) – calendar, agendas, links for virtual access

And don't forget our [website](#), and our [blog](#) and [memos](#) pages (sign up to receive alerts when a new blog is posted!)



Audit Fees By Unit

Audit Fees by Unit

The table below provides a summary of the invoices for annual audit work that have been received and approved by the LGC to date pursuant to North Carolina General Statute [159-34](#) and North Carolina Administrative Code [20 NCAC 03 .0505](#). This report includes invoice data for audits performed for fiscal years 2021 and later and is updated daily to reflect the latest totals. Please note that these totals do not necessarily represent all fees that a unit has paid or will pay for its annual audit, the contracted amount of the audit, or any invoices received but not yet reviewed and approved by the LGC. Note that if a unit is not included in the table, no invoices have yet been received and approved by the staff of the LGC for that unit as of the last page update.

If you have questions on the contents of this list, please contact SLGFD@nctreasurer.com.

Fiscal Year	Unit Name ↑	Invoice Total	Audit Firm
2021	Aberdeen	43,100.00	Dixon Hughes Goodman LLP High Point
2022	Aberdeen	32,325.00	FORVIS, LLP High Point
2021	Aeronautics Auth. of The City of Henderson	4,500.00	May & Place, P.A. Louisburg
2022	Aeronautics Authority of The City of Henderson	4,000.00	May & Place, P.A. Louisburg



Audit Reports

Fiscal Year
UnitName
County
Unit Type
Re-Issued?

Fiscal Year	Unit Name ↑	County	Unit Type	Date Audit Submitted	Re-Issued?	Audit File
2022	Ahoskie	Hertford County	Municipality	1/5/2023	No	Download File
2022	Alamance	Alamance County	Municipality	10/28/2022	Yes	Download File
2022	Alamance County	N/A	County	12/1/2022	No	Download File
2022	Albemarle	Stanly County	Municipality	2/28/2023	No	Download File
2022	Alexander County	N/A	County	11/9/2022	No	Download File



Automated Emails

Automated email responses are issued when LGC staff receive/review/approve audits, contracts, invoices, and FPIC responses, initiate LOGOS account requests, etc. Be on the lookout for emails from:

LGCAuditReview@nctreasurer.com

LGCPortal@nctreasurer.com

LGCContract@nctreasurer.com

LGCInvoice@nctreasurer.com

LOGOS@nctreasurer.com



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Debt Topics



News from DMS - who's who

- Jennifer Wimmer - Director, Debt Management Section
- Stephanie Bacik - Assistant Director- Debt Inquiry Portal, non-GO debt financings
- Tony Blalock - Assistant Director- GO Bonds, Sale Calendar



News from DMS-who's who

- Financial Analysts -

Roslyn Cozart

Kelsey Carmichael

Lynne Rogers

Melissa Dearman

Floyd Borden

Donna Davis (utility analyst)

- Accounting Specialist - Fetina (Tina) Simpson

- Paralegal - Lynne Taylor

- Administrative Specialist - Linde Skinner



New General Obligation Bond Legislation





New GO Bond Legislation-Ballot Language

Section 36.3.(a) of [Session Law 2023-134](#) (HB 259) amended G.S. 159-61(d), which sets forth the form of the ballot question to be used for local government general obligation bond referenda.



New GO Bond Legislation-Ballot Language

- G.S. 159-61(d)
- Section 36.3.(a) of [Session Law 2023-134](#) (HB 259) amended G.S. 159-61(d), which sets forth the form of the ballot question to be used for local government general obligation bond referenda as follows:
 - "(d) The form of the question as stated on the ballot shall be in substantially the following words:
 - ~~"Shall "~~"Additional property taxes may be levied on property located in (name of unit of local government) in an amount sufficient to pay the principal of and interest on bonds if approved by the following ballot question. Shall the order authorizing \$_____ bonds plus interest for (briefly stating the purpose) and providing that additional taxes may be levied in an amount sufficient to pay the principal of and interest on the bonds be approved? approved, in light of the following:
 - (1) The estimated cumulative cost over the life of the bond, using the highest interest rate charged for similar debt over the last (maximum bond issuance term), would be (\$_____).
 - (2) The amount of property tax liability increase for each one hundred thousand dollars (\$100,000) of property tax value to service the cumulative cost over the life of the bond provided above would be (\$_____) per year.
 - YES
 - NO""
- These amendments become effective on December 31, 2023, and apply to bond referenda conducted by local government units after that date.



New GO Bond Legislation-Ballot Language

- LGC staff is working on a memorandum to provide guidance for local governments.
- LGC staff is developing these guidelines through analysis and discussion with input and review from the UNC School of Government and local government bond counsel throughout the state.



New GO Bond Legislation-Ballot Language

- The memorandum does not constitute legal or financial planning advice; local government units should consult with their bond counsel and financial advisors to ensure that the requirements of G.S. 159-61(d) are met.
- We will posting the upcoming memo on our website and sending out a blogpost soon.



Debt Calendar





Debt Calendar

As of 4/29/2024 for 2024 YTD:

18 sales

14 negotiated

4 competitive

GO Parks and Recreation and School Bonds, Revenue Bonds, Limited Obligation Bonds, Certificates of Participation, and Special Obligation Bonds all represented

Market has been mixed and volatile, but sales have all been successful and all credits were well received



Debt Calendar

Upcoming Public Sale Transactions:

May-9

June-12

July-5

August-10

September -5

October- 5

LGC Debt Approval Refresher





Debt Inquiry Form

Unit Name

County

Name

Title

Email

Phone

Provide a telephone number

Unit Contact Name (If different than above)

Unit Contact Title

Unit Email

Unit Phone

Are you on the most recent Unit Assistance List published by the Department of State Treasurer?

Type Of Debt

Amount of Debt

Brief description of the project or the purpose of debt.

Any questions or other information you wish to share?



Types of Financings

General Obligation
(GO) Bonds

Revenue Bonds

Installment Financing
Contract (IFC) *or*
Limited Obligation
Bonds (LOB)

Interim Financing/USDA

State Revolving Funds
(DEQ)

Leases



LGC Approval Process

- The LGC approves almost all debt for local government units
 - Transactions equal to or greater than \$500,000/5 years
 - Financings can not be split to avoid LGC approval
- Meets Monthly (usually first Tuesday)
- **Late Audits must be in two months prior to the meeting for review and response to all FPICs**
 - **FPIC for filing a late audit**
- **Audits are needed for all debt approval- exceptions only for lower threshold for UAL (unit assistant list) units under authorization SL 2022-53**
 - **\$50,000/ 3 year financing**
 - **Including leases and vehicle purchases or lease**



UAL Units and Debt

Any unit on the Unit Assistance List can contact us for help working through financings.

Any questions can be directed to the debt inquiry portal or the Coach Team member assigned to the unit.



LGC Approval Process

- Bids in hand including SRF projects prior to LGC meeting
- Looking for all project funding sources to be identified and included in sources and uses of project funding
- Change- As of 12/2022:
 - GO Bond Applications due prior to referendum but not taken to the commission until after the referendum



LGC Approval Process

- Statutory Requirements – Findings
 - Necessary/Expedient
 - Adequate/Not Excessive
 - Feasibility
 - Debt Management Practices
 - Tax Increase Anticipated (not excessive)



Questions?

Feel free to contact us with any questions, concerns,
or suggestions:

SLGFD@nctreasurer.com