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State and Local Government Finance Division

Agenda: Debt Management Section

- News from the Debt Management Section
 - Debt applications for November/December vs audit submittal date
 - LGC compliance with bank loans
 - Debt notices/outstanding debt reports- communication=accuracy

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Agenda: Fiscal Management Section

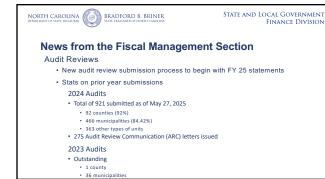
- News from the Fiscal Management Section
 - Staff Changes
 - Audit Reviews
- GASB 101 The Practical Expedient Method

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News from the Fiscal Managem	ent Section
Staff Changes	
Departures	
Hope McCullough	
Becky Garland	
Arrivals	

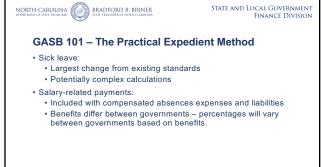
 Melissa Cundey · Mariamma Janneh • Promotions · Shanell McBride

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Step 1 – Determine Level On Which To Base Calculation

- Base level can be by:
 - Employee
 - Employee with similar job functions
 - By department
 - By function
 - By activity
 - All employees
- Analyzing historical experience for smaller groups involves more effort but is more accurate.

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Step 2 - Establish A Look-Back Period

- Typically 4-5 years
- Use the government's historical records.
- Results would need to be representative of a government's experience.
- The method used should be based on a government's actual experience.
- Professional judgement is required.

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Step 3 – Determine The Percentage For The Sick Leave Expected To Be Used Category $\label{eq: Category} % \begin{subarray}{ll} \end{subarray} %$

- Practical expedient is to focus on sick leave used during employment.
- Determine the percentage of the total hours deducted that is used for sick leave – this will be an average percentage for the look-back period.
- A flow assumption is not necessary when using this calculation method.



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Step 4 – Determine The Number Of Hours or sick Ecuard Outstanding In The Category Of Sick Leave Expected To Be

- \bullet Multiply the % in Step 3 by the total number of hours of sick leave at the end of the fiscal year.
- The result is the total number of sick leave hours that is expected to be used.
- The same percentage can be used for the entire government as a practical expedient, or different percentages can be calculated for departments and functions.

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Step 5 - Apply Salary Rates and Salary-related Leave

- Use the average salaries for departments or functions, or for the entire government
- Individual employee salaries can also be used.
- Add salary-related benefit percentages.
- Be careful percentages may vary between governments based on the type of benefits offered. (e.g., some governments give 401(k) only to law enforcement)

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Step 6 - Flow Assumption Consideration

- Since the implementation of GASB 34, governments have been required to identify the current portion (or the amount due within one year) of the compensated absences liability.
- LIFO and FIFO flow assumptions are the most commonly used flow
- The Practical Expedient Method does not require the use of a flow
 - Average number of hours used from look-back period x average salary + salary-related payments

 Approved salary adjustments for the next fiscal year would not be included.

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Step 6 - Consider Whether A Flow Assumption Is Needed (cont.)

- If a flow assumption is used, we recommend that the same flow assumption be used from
- A change in the flow assumption would be a change in accounting principle.
- FIFO calculations are usually less complex than LIFO calculations.
- · LIFO usually results in a lower liability than FIFO.
- Applying either flow assumption at an individual employee level results in the most accurate results (and requires the most work).
- Employees may be grouped, but results may be misleading if there is too much aggregation.
- Remember that expenses must be allocated at the functional level in the Statement of

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Step 7 – Develop Note Disclosures

- Summary of Significant Accounting Policies:
 - No disclosures required by GASB 101
- Consider disclosing benefits offered and major provisions of benefits.
- Consider disclosing calculation methodology and flow assumption.
- Changes in long-term debt note
 - Beginning balance, additions, deductions, ending balance
 - Additions and deductions may be netted.
 - Amount due within one year
 - No requirement to display vacation and sick leave separately

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Questions?

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