


NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER



BRADFORD B. BRINER  
STATE TREASURER OF NORTH CAROLINA

STATE AND LOCAL GOVERNMENT FINANCE DIVISION

LGC Update

Jennifer Wimmer  
Director  
Debt Management Section  
State and Local Government Finance Division

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Fiscal Management Section  
State and Local Government Finance Division

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**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 Management Section

#### Staff Changes

- Departures
  - Hope McCullough
  - Becky Garland
- Arrivals
  - Melissa Cundey
  - Mariamma Janneh
- Promotions
  - Shanell McBride

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### News from the Fiscal Management Section

#### Audit Reviews

- New audit review submission process to begin with FY 25 statements
- Stats on prior year submissions

#### 2024 Audits

- Total of 921 submitted as of May 27, 2025
  - 92 counties (92%)
  - 466 municipalities (84.42%)
  - 363 other types of units
- 275 Audit Review Communication (ARC) letters issued

#### 2023 Audits

- Outstanding
  - 1 county
  - 36 municipalities

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### GASB 101 – The Practical Expedient Method

- Sick leave:
  - Largest change from existing standards
  - Potentially complex calculations
- Salary-related payments:
  - Included with compensated absences expenses and liabilities
  - Benefits differ between governments – percentages will vary between governments based on benefits.

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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

- 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 Of Sick Leave Outstanding In The Category Of Sick Leave Expected To Be Used

- 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 Rates

- 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 assumptions.
- The Practical Expedient Method does not require the use of a flow assumption.
  - 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 year to year.
- 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 Activities.

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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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