#### LGC UPDATE

NCGFOA Summer Conference July 15, 2008

# LGC Update

- Topics of Interest
  - Announcements
  - New Auditing Standards for 2008
  - OPEB and State Treasurer's Trust
  - Investment and Secondary Market Issues
  - Current Issues

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# LGC Update

- Announcements
  - New Staff, New Assignments
    - Becky Dzingeleski, Contracts
    - George Harris, statistical reports, AFIRS, website updates
    - Ken Wease promoted to Senior Accountant
    - Alexia Forte promoted to Staff Accountant

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203s Reassigned

LGC Update



- LGC Database Update
  - Will be sending a summary of unit data to each unit
  - In hard copy
  - If changes are needed, make changes on hard copy and fax back to LGC

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- No response means everything correct



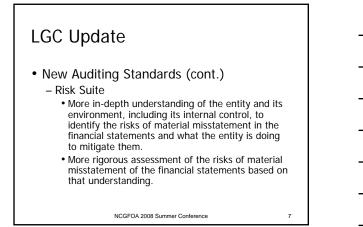
- SAS 112
  - Expect to use a more narrow interpretation on SAS 112 for 2008
  - Units with limited staff should expect to have at least a significant deficiency
  - Units with prior period adjustments recommended by the auditor should expect to have at least a significant deficiency

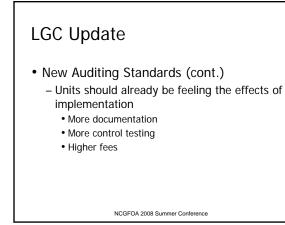
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## LGC Update

- New Auditing Standards
  - SAS 112 (cont.)
    - Findings do not necessarily require that changes be made
    - Take steps to mitigate findings
    - May decide not cost effective to eliminate findings

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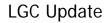






- OPEB Investments and State Treasurer's OPEB Fund
  - Depository agreement between each unit and trustee/State Treasurer's Office
  - Statutes created the Fund as an irrevocable trust; if a unit of government does not have any additional OPEB investments then no additional trust agreement required

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- OPEB Investments and State Treasurer's OPEB Fund (cont.)
  - Participating units will have to open a STIF (Short Term Investment Fund) account with DST, forms available on our website
  - Funds will move in and out of Trust through STIF



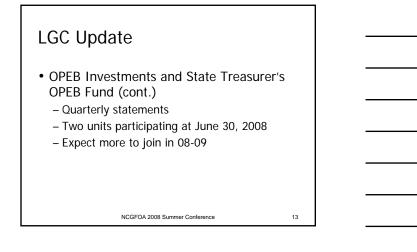


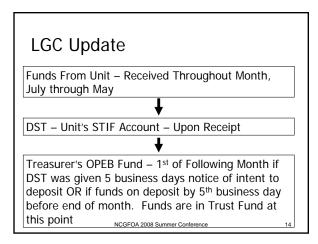
- OPEB Investments and State Treasurer's OPEB Fund (cont.)
  - Certification by unit that funds withdrawn are only for OPEB benefits

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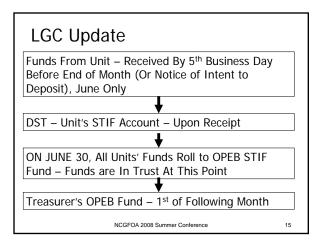
- DST is not administering benefit plans
- Initial minimum deposit is \$100,000
- Provisions for emergencies

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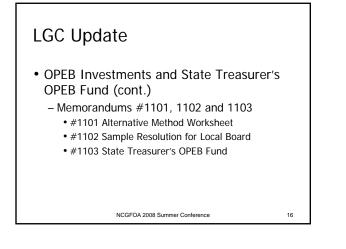














- OPEB Investments and State Treasurer's OPEB Fund (cont.)
  - Note disclosures and sample financial statements in memo form
  - Will include sample entries for local government to make
  - Update Dogwood and Carolina County next year

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## LGC Update

- OPEB and Alternative Method Workbook
  - Workbook now available on website
  - For units with less than 100 *members* in OPEB plan
  - Auditor can assist with use of workbook but cannot make any management decisions associated with use of workbook

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- OPEB Next Steps
  - Phase I units made initial funding decisions last year and likely revisited those during budget process for 08-09
  - Unless unit has expanded investment authority, must comply with G.S. 159-30 or invest in State Treasurer's OPEB Fund
  - Implement in June 30, 2008 financials
  - All component units must implement as well

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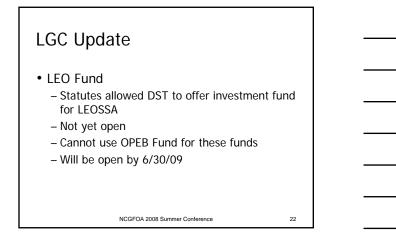
- OPEB Next Steps
  - Phase II units have likely made funding decisions as part of budget process for 08-09
  - Implement in financial reports for June 30, 2009
  - Unless unit has expanded investment authority, must comply with G.S. 159-30 or invest in State Treasurer's OPEB Fund

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## LGC Update

- OPEB Next Steps (cont.)
  - Phase III units should be obtaining actuarial studies now if not yet complete
  - Funding decisions made as part of budget process for 09-10
  - Implement in financial reports for June 30, 2010
  - Encourage all units with OPEB to have an initial actuarial study

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- Secondary Market/Material Event Disclosures
  - Original sale of debt, underwriter obtained insurance
  - Subsequent to sale, insurer's rating declines
  - Unit should file Material Events Notice

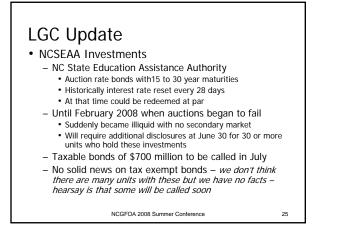


 Filed in same manner as secondary market disclosures – electronically through DisclosureUSA or via hardcopy delivery to each NRMSIRs

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- Consult with bond counsel

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NCSEAA	Investme	ents held	at 6/30	
	Deposit & Investment Note	Subsequent Event Note	MD&A	
Material \$ - taxable notes	х	х		
Material \$ - tax exempt notes	х	N/A unless called before issuance	х	
Not material either class	Interest rate risk should have been included all along	Don't worry	about it	
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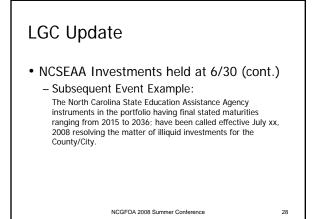
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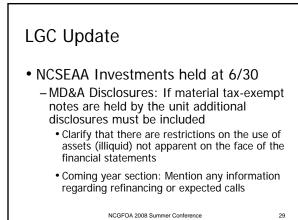
NCSEAA Investments held at 6/30

 Deposit & Investment Example:
 The North Carolina (N.C.) State Agency instruments in the portfolio have final stated maturities ranging from 2015 to 2036; however, historically they could be redeemed at par and the interest rate reset every 28 days making the effective maturity date the next reset date, until February 2008 when the auctions began failing. At that time the instruments became illiquid and there was no secondary market.

Can be included in Interest rate risk section or following chart of securities ...

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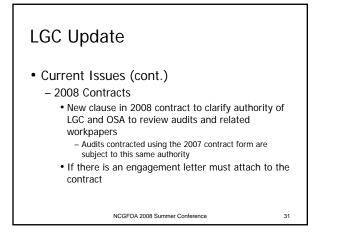


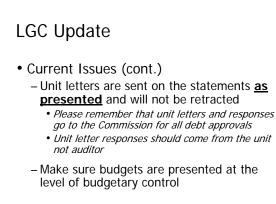


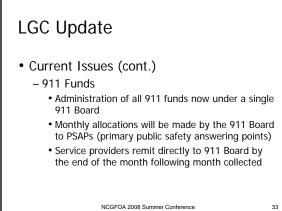
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- Current Issues:
  - Internal Controls over Travel
     Recent news
  - Investment Policy Review
  - Current market
  - 2008 Contracts
  - Late contract letters out soon

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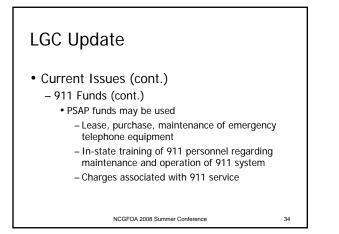


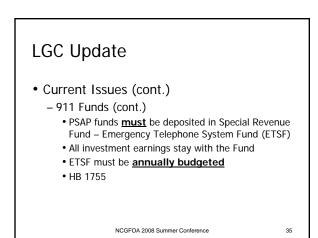


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## LGC Update

• Current Issues (cont.)

- County requirement to collect DMV 3% interest and remit to State under HB 1779
  - Note disclosure or schedule was accepted for 6/30/06 and sometimes in 2007
  - Must be in an agency fund for 2007-2008
- Can be a line item within the Fines & Forfeiture Fund
  Objective is to avoid an audit by DOT
- Powell bill expenditures in a Special Revenue Fund must be consolidated with the General Fund for reporting purposes

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