

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER



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STATE AND LOCAL GOVERNMENT FINANCE DIVISION

Joint Legislative Oversight Committee on General Government

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Overview of Division

The State and Local Government Finance Division's staff of 37 financial analysts, accounting advisors, debt analysts, and administrative support specialists support over 1,300 units of local government, the Local Government Commission (LGC), the NC Capital Facilities Finance Agency (NCCFFA), the Debt Affordability Advisory Committee (DAAC), and State debt issuance and monitoring.



Overview of Division's Responsibilities

- Guide local governments that submit debt applications through rigorous review to ensure statutory obligations are fulfilled and unit is capable of handling debt (317 local government debt issuances approved by the LGC in FY 2019 totaling over \$5.7 billion)
- Monitor debt repayment for all debt approved by the LGC
- Monitor the fiscal health and statutory compliance of 1,300 units of local government in the state through analysis and review of audit reports, cash and investment reports, and other statutorily required financial reports
- Serve as finance staff for units when the LGC exercises its statutory authority to assume control of the financial affairs of a unit
- Responsible for the oversight, issuance, and management of all debt obligations for the state



Allocation of Resources

- Fiscal Management Section
 - Extensive guidance through website, blog, policy memos, conference presentations, help desk, and on-site support
 - Review and/or approval of annual audits, audit contracts, audit invoices, annual financial information reports, register of deeds reports, semi-annual cash and investment reports for all units subject to requirements
- Debt Management Section
 - Assists units of local government applying for approval from the LGC for bond issues and loans; provides subject matter expertise on a variety of financing structures
 - Monitors debt repayment and provides units with monthly and annual notices of all outstanding debt
- State Debt Section
 - Responsible for the oversight, issuance, and management of most debt obligations for the state
 - Efforts are an integral component to protecting and preserving the state's highly coveted triple "AAA" bond rating



Allocation of Resources

Division provides services to all local governments and public authorities through the following:

- Information distributed via website and blog on current and proposed governmental accounting standards, trends in public financing, financial analysis tools, illustrative financial statements, and training opportunities
- Review of annual audit and evaluation of fiscal health of each unit
- Help desk for questions from local governments, their auditors, grantors, lenders, and others



Allocation of Resources

Focused attention varies by section of the Division

- Debt management works with all units wishing to seek debt approval
- Larger units with more complex financings take more time as do hospital financings
- Respond to inquiries from local governments, their financial advisors, and others, including the general public, regarding debt issuance requirements, statutory guidelines, and repayment options



Allocation of Resources

Focused attention varies by section of the Division

- Fiscal management works with all units needing assistance; small units with fewer resources need the most help
 - COACH team focuses on small units one-on-one
 - Enforcement actions require enormous amounts of staff capacity
- Fiscal staff spends significant time understanding and offering guidance on new and proposed governmental accounting standards, as well as new and proposed auditing standards



Allocation of Resources

State Debt Management and NC Capital Facilities Finance Agency staff

- Same staff supports both efforts
- Works on all state issuances including GO bonds, DOT debt, and the NC Turnpike Authority
- Serves as staff for the NCCFFA which provides a vehicle for tax-free financings for certain non-profits and private institutions
- Serves as staff to the Debt Affordability Advisory Committee



Training Opportunities for Local Governments

Community college course – Local Government Finance in NC: A Practical Approach

- Through Summer 2020 session, course offered 29 times reaching approximately 300 students; 10 additional sessions currently underway
- Very positive feedback from students
- Attendees include finance staff, non-finance department heads, and elected leaders
- Schools have the option to offer as a for-credit class in the Accounting curriculum



Training Opportunities for Local Governments

Other training opportunities

- Work with partners to offer training throughout year via conferences, courses, and ad hoc webinars
 - 19th Annual Treasurer's Conference, offered through the SOG, reached 28% more attendees in 19 more counties than in the prior year; 114% increase in attendees from Tier 1 counties; virtual presentation for first time
 - Numerous webinars with the SOG on COVID-related topics reached up to 500 attendees each
 - Annually present at multiple conferences offered by NCGFOA, NCLM, NCACC, NCACPA, SBOA and others



Unit Assistance List

Identifies units that are at risk in at least one of three broad areas

- Financial condition of General Fund
- Financial condition of Water and/or Wastewater Fund
- Deficiencies in internal controls

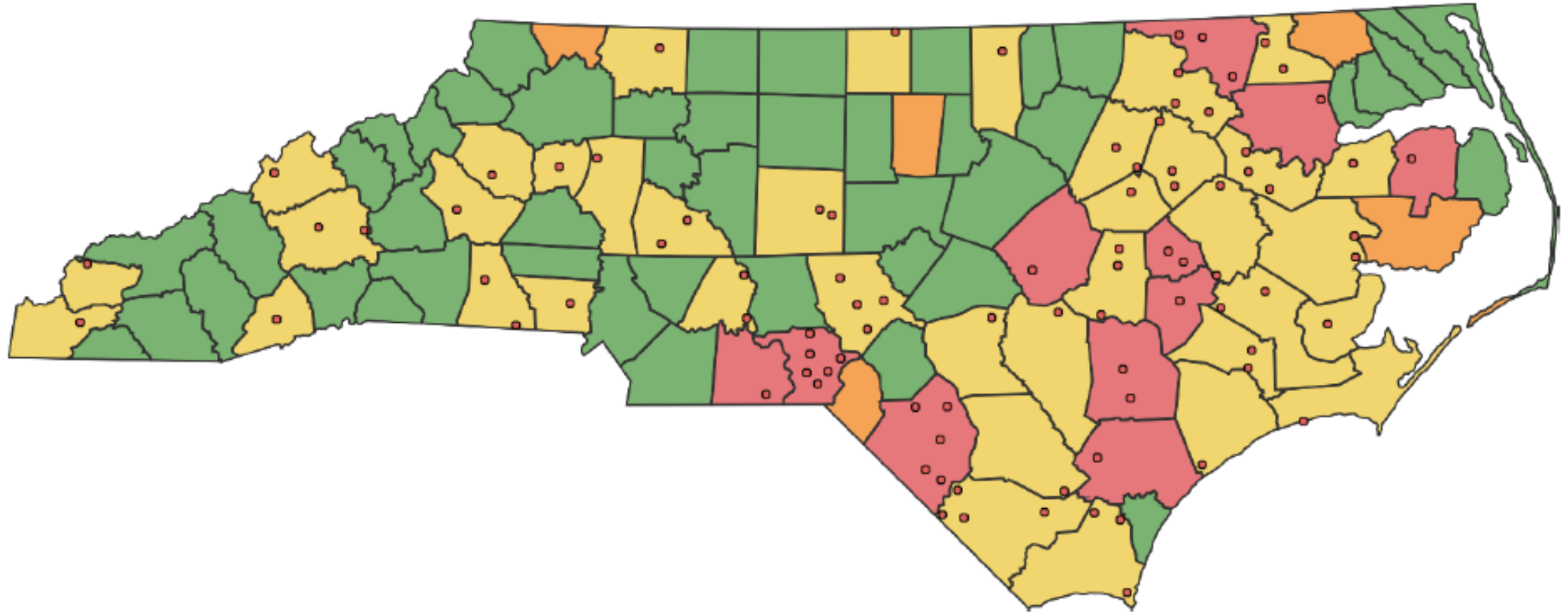
List also identifies units that are late submitting most recent audit

- Risks associated with being unable to produce timely financials

Helps staff focus resources where most needed

Unit Assistance Status by County

As of June 2020



● Municipality
on the UAL



County with one or
more municipalities
on the UAL



County
on the UAL



County and one or
more municipalities
on the UAL



Enforcement Actions

GS 159-181(c) enforcement – LGC assumes control of books and becomes the local board for all financial matters

- Taken this step 8 times since 1997, with two being in last 12 months
- More under consideration; matter of SLG staff capacity

GS 159-25 enforcement – compel units that are behind on audits and bookkeeping to hire outside help

- LGC has approved a Notice of Warning to 6 units
- LGC has approved a Notice of Enforcement to 2 units with more under consideration



Initiatives and Achievements: Technology

- Launched LOGOS in January 2020, an online system that will modernize SLGFD operations by automating manual processes and updating inefficient legacy software systems
- Served as practicum sponsor for student team from the NC State Institute for Advanced Analytics; students developed a prototype model to help predict which units will be at risk in the future for fiscal distress



Initiatives and Achievements: Collaborations

- Working with DEQ to implement Viable Utility Reserve legislation, identify distressed utility systems, provide grants
- Currently partnering with the NC League of Municipalities, NC Association of County Commissioners, and the NC Governmental Finance Officers Association to identify one or more software systems that will meet the financial management and reporting needs of smaller governments



Initiatives and Achievements: Ongoing

- Continue to work with partners to provide needed training for local staff and officials
- Continue to provide the General Assembly, policy makers, state agencies, local governments, and other stakeholders with the information, analysis, and resources needed to develop and implement long term solutions to the fiscal challenges facing local governments
- Continue to work with stakeholders to develop a uniform chart of accounts and identify software that meets the financial reporting needs of small governments
- Continue to provide subject matter expertise to the GASB in the development of new accounting standards that meet the reporting needs of local governments



Challenges

- Complexities in the public finance marketplace, federal and state legislation, the regulatory environment, and governmental accounting standards
- Small local governments that struggle to provide effective fiscal management
- Increasing number of local governments facing economic, demographic, and geographic challenges that threaten their fiscal viability
- Impact of pandemic on local government financial resources – COVID Financial Impact report due to General Assembly on March 15, 2021



Meeting Our Challenges

- Additional staff to work with failing units and those operating under enforcement or warning actions, with emergency short-term operating funding
- Additional staff to meet the needs of units facing hurdles meeting their debt service obligations
- Support for historic charter legislation – due to report to General Assembly by February 15, 2021 on this issue
- Modify types of units that report to the LGC – exempt Charter Schools, include ABC Boards



Contact Information

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