

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER



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STATE AND LOCAL GOVERNMENT FINANCE DIVISION
NCACC Annual Conference
August 23, 2019
**Getting your Financial House in Order and Applying
for Debt**

Presenters : Susan McCullen and Tim Romocki
Staff to the Local Government Commission



Agenda:

- Improving your government's financial condition and internal controls; and
- Navigating the debt application and LGC approval processes.



So you have a Unit Letter, Now What?

- Substantially all unit letters will need to provide us with a written response.
- Include **details** of process and procedure changes to address our concerns.
- Governing Board, Manager, and Finance Officer may need to sign.
- If you are asking for debt approval, we will likely visit you to ascertain the status of changes.
- We may request a status update in writing from your Board.
- If you don't address issues noted by our staff and your independent auditor, the LGC staff may **not** recommend your debt for LGC .



Some Financial Condition Concerns:

- Low fund balance available in General Fund (less than 50% of population group);
- Declining tax valuations and/or low property tax collection rates; or
- Water and Sewer funds that are not sustainable or infrastructure issues that are problematic.



Internal Control Weaknesses:

- Delayed annual audits/poor audit and year end close planning;
- Incomplete or untimely bank or subsidiary system reconciliations;
- Inadequate or obsolete financial systems;
- Violations of NCGS 159; such as budgetary over expenditures, neglect of daily deposits, late or missing debt service payments;



Internal Control Weaknesses (cont):

- Finance Officer lacks training and expertise for role [NCGS 159-24];
- Inadequate support for financial function (tone at the top); and
- Inadequate disaster recovery planning.



Representation at the LGC Meeting:

- If you received a unit letter and request debt approval, we need a unit representative to be present at the LGC meeting.
- For remote units, we have a conference call line. Others may need to come in person.
- We work with LGC members to anticipate their questions and help you be prepared. There MAY be additional questions or input from them that don't come up ahead of time.
- Delayed audits or unresolved findings will make debt approval challenging.



CRITICAL SUMMARY

- LGC MEETS FIRST TUESDAY OF EVERY MONTH
- ESSENTIALLY FINALIZED DOCUMENTS ARE NECESSARY BEFORE LGC CONSIDERATION
- COMPLETED APPLICATION DUE 28 DAYS PRIOR TO LGC MEETING
- FISCAL MANAGEMENT SECTION SIGN-OFF



Steps in Application Process

1. Contact LGC and schedule pre-conference.
2. Decide whether to proceed.
3. Select financing team and hold organizational meeting with LGC (public placements).
4. Adopt findings resolution and authorize application to the LGC; call for public hearing (installment purchase).
5. Publish hearing notice (installment purchase) – 10 days prior.

(ESTIMATED TIME FOR STEPS 2-5 AT LEAST 40 DAYS)



Steps in Application Process

(continued)

6. Document review session with LGC.
7. Hold public hearing on the installment purchase contract.
8. Board approval financing documents and contracts.
9. LGC consideration/approval.
10. Bond sale/ loan closing.

(Total time for issuance of bonds approximately 3 months from pre-conference)



Pre-Application Conference

- Discuss project necessity, estimated costs and feasibility.
- Discuss financing alternatives.
- Review unit's debt/fiscal management procedures and policies.
 - Any issues in Unit Letters must be resolved.
- Discuss application process, requirements and timeframes.



Application Supporting Materials

- Bid tabulations; final GMP for CMAR or design/build
- Permit letter from architect
- Repayment plan/feasibility report
- Engineering/consultant report on project (utilities)
- Engagement letters with financial advisors, bond counsel, underwriters
- Financing contract with final terms
- Copies of board resolution and findings



LGC Findings for Approval

1. The proposed financing is necessary and expedient.
2. The amount of the issue is adequate and not excessive.
3. The proposed projects are feasible (revenue bonds).
4. The unit's debt management procedures and policies are good.
5. Any tax increase required for debt service payments is not excessive (excludes revenue bonds).
6. The proposed issue can be marketed at a reasonable cost to the unit.
7. Financing contract is preferable to issuing bonds (installment contracts only).



Timing

- Completed application must be filed 28 days prior to meeting.
- Essentially finalized bond documents must be completed 10 business days before LGC meeting.



CRITICAL SUMMARY - REVIEW

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- FISCAL MANAGEMENT SECTION SIGN-OFF



Questions???

- Contact information
 - Fiscal Management – Susan McCullen – 919 814 4302
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THANK YOU !