



# GFOASC Newsletter

P.O. Box 280334  
Columbia, SC 29228  
(803)951-7371 Phone  
(803)359-4892 Fax  
[www.state.sc.us/gfoa](http://www.state.sc.us/gfoa)

THIRD QUARTER ~ 2003

VOLUME 12 ISSUE 3, 2003

## ***Government Finance Officers Association of South Carolina***

### **19<sup>th</sup> Annual Fall Conference for 2003** **“Finding Direction in Changing Economic Times”**

*Ann Epting, Fall Conference Chair*

The 2003 GFOASC Annual Fall Conference was held at the Myrtle Beach Convention Center. Thanks to everyone who attended, presented or was a vendor at the Fall Conference. You made the conference a great success and judging by your evaluations, you learned something new and had a great time networking with your friends!

A special thanks to the committee that worked so hard planning the conference. They were a diverse group who knew their area of expertise and the people to ask to speak. I told them I prayed for the right group and my prayers were answered! Thanks to Lynne and Greg Lee for all of your extra work, to Parker Boulware, Frances Derrick and Carol Martin for bringing all of the brief cases to the beach, you saved a lot of shipping cost! To Deborah Nye, awesome job working with the vendors and setting up the hall as always! To the vendors, we appreciate you and all that you mean to our organization. You have become not only our vendors, but also our friends and we look forward to seeing you every year. It does not matter if you are a new vendor or been with us eighteen years like Palmetto Software, Raymond Reynolds, we will miss you if you are not there.

I would like to thank everyone who filled out the evaluation form. Your comments are appreciated and suggestions for next year will be passed on. The consensus is that the membership wants the conference in October, they love good food, informative speakers and networking with their peers. Some of the comments I can answer such as “Do not serve steak (banquet) unless individuals can select how to have it cooked.” Actually, it was Prime Rib. “Cut classes short and have a golf outing.” NO COMMENT!! “Why did the chef and his staff receive a standing ovation and not some to the speakers?” The membership decided that. It is your conference so please feel free to give suggestions to the Board and me!

To the many people who emailed, called and wrote to tell the committee how much they liked the conference and the extras (two bands, etc.) THANKS, the committee appreciates your kind remarks.

Next year will be our 20<sup>th</sup> anniversary and I look forward to seeing all of you at next years Fall Conference!

## **We Need You ~ Volunteer!**

We need volunteers to help out on committees and other areas in 2004. You can volunteer by completing a participation form which can be found online at [www.state.sc.us/gfoa](http://www.state.sc.us/gfoa) and click on the volunteer link.

The form will be available after January 1, 2004. Please print the form, complete and fax to us at (803)359-4892.

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## *From our President ~ Melissa (Missy) Coker*

Greetings to all!

I can hardly believe that 2003 is coming to an end. This year has been filled with many opportunities (challenges) for all of us. 2003 has been a successful year for GFOASC, and **you** should be proud of **your** organization. We had a great Spring conference, CPE classes, luncheons, and the Fall conference was a hit! Together we have weathered another round of budget cuts and yet we still have managed to perform our jobs with integrity and professionalism.

GFOASC has continued to grow and accept the opportunities presented by the ever-changing financial issues. GFOASC has been working hard to create an easier way for you to utilize the benefits of the organization. A new and improved web site will be released in January 2004, we have been testing a new list serve system for easier dissemination of information, along with several other ideas on

how to utilize available technology to better serve our membership. Let us know what great ideas and suggestions you have for utilizing the ever-changing technology. **We need your input!**

We have several ideas for next year. I would like to share one with you so you can help us brainstorm on ways to promote the certification program. Achievement of certification is a major accomplishment! We need to highlight our members' success and encourage others to strive to achieve certification. We are looking for your suggestions for this and other ideas for GFOASC. **Remember this is your organization get involved!**

I have enjoyed this past year and appreciate the opportunity to serve you, the members of this great professional organization. I cannot say enough about the willingness of our members to share ideas and best practices. I have said before that one of our greatest

benefits is networking. **GFOASC has a wealth of knowledge among its members; collectively I would guess that we have thousands of years of experience in governmental finance.** I strongly encourage each of you to tap into this wealth of knowledge.

I would like to say a great big **THANK YOU** the 2003 Board and our administrator for all of their support, hard work and help through out the year. Also to all the committee chairs and committee members **THANK YOU** for all your hard work, which made this year a successful year. Finally to the membership, you are a **great** group of people and I am honored to have served as your 2003 President, and look forward to joining the ranks of Past Presidents!

**Remember this is YOUR organization GET INVOLVED!!!!**

**HAPPY HOLIDAYS!!!!!!!!**

### **How Would You Prefer To Be Contacted??**

We would like to know how you would like to receive mail, information, newsletters, etc. from the association. Please take a minute to copy this page and fax it in to us and let us know your preference. This will help us set up our mailing lists and make them more effective.

Name: \_\_\_\_\_

☐ Email me at: \_\_\_\_\_

☐ Please fax all information to: \_\_\_\_\_

☐ Please mail all information to: \_\_\_\_\_

\_\_\_\_\_

## Certification News

Frances G. Derrick, CGFO ~ Certification Committee Chair



As the end of the year approaches, it's time again to report your CPE hours earned for the calendar year 2003. Your CPE recertification form should be mailed to you shortly. Fillable forms are also available on GFOASC's web site, along with the recertification guidelines. You can complete the form on-line, print it out, sign it and mail it in to Lynne

Lee. Please remember that this is the first year of having to report a minimum of 20 CPE hours with a minimum of 4 hours in the Governmental Accounting/Auditing, Financial Planning & Budgeting and Financial Management category and a maximum of 4 hours in the Personal Development category. A maximum of 10 CPE credits in the accounting and

other categories only may be carried forward into the next year. Please note on your form which hours you wish to carry forward. These reports are due no later than February 28, 2004. If you are using your CPA form to report your CPE hours, please categorize them according to GFOASC's guidelines.

## News From GASB ~ Disclosure Requirements

# GASB

More information on this topic is available at <http://www.gasb.org/>

The Governmental Accounting Standards Board (GASB) has published Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, that requires governments to report the effects of capital asset impairment in their financial statements when it occurs. The guidance also enhances comparability of financial statements by requiring all governments to account for insurance recoveries in the same manner.

In reflecting on the impact of Statement 42, GASB Project

Manager, Roberta E. Reese, states "Because capital assets are long-lived, they are exposed to various risks, including the risk of diminished service utility that is caused by unexpected events or circumstances. This Statement will ensure that government financial statements report this loss of service utility when it occurs, rather than over the remaining useful life of the capital asset.

The Statement requires governments to evaluate major events affecting capital assets to determine whether they are impaired.

Those events include physical damage, changes in legal or environmental factors, technological changes or obsolescence, changes in manner or duration of use and construction stoppage.

Impairment will be measured using methods that are designed to isolate the cost of the capital asset's service capacity that has been rendered unusable by impairment.

For more information on this topic visit the GASB web site at [www.gasb.org](http://www.gasb.org).

## 2003 Certified Government Finance Officer Designations Awarded

The following individuals earned their Certified Government Finance Officer Designation at the 2004 Fall Conference:

Marcia Folligan  
City of Myrtle Beach

Ginger Ketchen  
Town of Springdale

Brad Mathis  
County of Lexington

Angie McInchok  
Richland County

Debra Rountree  
SC Department of  
Transportation

Sandra Smith  
City of Greenville

Sandra Stone  
Greenville County

Jacqueline Wilson-Barnes  
Health & Human Svcs.



## GFOA National Update

Deborah S. Nye, CGFO ~ SC State Representative to GFOA National



The National GFOA standing committees have developed a body of recommended practices to give GFOA members and other state & local governments more guidance on sound financial management practices. The following recommended new or revised practices are intended to identify enhanced techniques and provide information about effective strategies for state and local government practitioners.

- Committee on Cash Management
  - Use of Various Types of Mutual Funds by Public Cash Managers (1987, 2003)
  - Use and Application of Voluntary Agreements and Guidelines for Cash Management (1995, 2003)
  - Selection of Investment Advisers for Non-Pension Fund Assets (1999, 2003)
  - Same-Day Funds Settlement Procedures (1994, 2003)
  - Purchasing Card Programs (1998, 2003)
  - Governmental Relationships with Securities Dealers (1988, 2003)
  - Revenue Policy: Cash Receipts Controls (2003)
  - Revenue Policy: Accounts Receivable Controls (2003)
- Committee on Governmental Debt and Fiscal Policy

Use of Debt-Related Derivatives Products and the Development of a Derivatives Policy (1995, 2003)

*The detailed recommendations can be viewed on the national web site [www.gfoa.org](http://www.gfoa.org).*

**YOU NEED TO BE AWARE - more possible revenue losses.....**The US Senate will soon be debating S. 150, the Internet Tax Non-Discrimination Act. This bill is intended to extend the existing moratorium, which prevents local and state authorities from taxing Internet access; but in its current form, this bill would also compromise local and state government taxing authority as it stands now.



**NEWS from  
NATIONAL GFOA**

The language used in the bill expands the definition of "Internet access" to include telecommunications services that are used to provide Internet access. This would preclude state and local governments from collecting cable and telephone franchise fees from telecommunications companies. Obviously, this type of bill could certainly create another severe loss of revenue and exacerbate an already difficult fiscal landscape.

This would preclude state and local governments from collecting cable and telephone franchise fees from telecommunications companies. Obviously, this type of bill could certainly create another severe loss of revenue and exacerbate an already difficult fiscal landscape.

***Please take the time to contact your Senator to vote against S. 150.*** For additional details on this subject, click on the National website – it also provides a sample letter that you can use to contact your representative in the US Senate.

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### ***Update on the Annual Governmental GAAP Update – Satellite Teleconference***

*The Satellite Teleconference was hosted by the GFOASC at Midlands Technical College on November 6<sup>th</sup>. Stephen Gauthier, Director of the Technical Services Center for National GFOA, did a great job presenting the 2003 GAAP update. There was a considerable amount of important information and suggestions offered that will help with CAFR procedures in the future. If any of you are interested in obtaining the 105 pages of handout materials that outline the presentation, please contact Lynne Lee, GFOASC Administrative Coordinator. Thanks to everyone involved for making this training opportunity available locally.*

**Any of you seeking an undergraduate or graduate degree studying state and local government finance will want to check out the five very lucrative scholarships available from NGFOA. Application forms will be available on the national website in November.**

**25 % off Discount Coupons** on any of GFOA's Publications and New Media Products purchased by December 15, 2003. Call or email me with your name and address and I'll send the coupon right out!

***As your State Representative, I will be happy to find information or answers for you - please contact me at [d.s.nye@usa.net](mailto:d.s.nye@usa.net) or phone 803-892-2521 whenever necessary.***  
**Deborah S. Nye, CGFO**

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# Good Times Ahead for South Carolina?

Scott Ludlam ~ Newsletter Committee Chair

Third Quarter—2003

Volume 12 Issue 3, 2003

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Our state's new fiscal year, 2004, started on a less than positive note, resulting from yet again another budget cut for state agencies in South Carolina. Watch CNBC's "Squawk Box" and one hears that Wall Street is welcoming back the "Bulls". Why then is South Carolina continuing to experience revenue shortfalls, which in turn results in budget cuts for our state government?

Revenue for the state was increasing year after year in the 1990's. Two very good years in particular were 1993 and 1994 with revenue increases up just over 9% each year. Our state finished the decade with a revenue increase of 8.7%. Times were good. Then, the year 2000: Revenue was up only 2.3% with inflation running about 2%. In 2001 revenue was up 1.8% and in 2002, revenue down 3.4%, which is an actual dollar decrease for the state budget in the amount of \$177,373,997. The last time our state realized a decline in revenue was in 1955, forty-seven years earlier. According to the Board of Economic Advisors (BEA), 2003 actual revenue decreased \$4,496,419 to an annual revenue total of \$5,305,054,270, or a 1% decline over 2002. We now look to our current year 2004: The Board of Economic Advisors, chaired by John S. Rainey, met in August 2003 to review final revenue figures from the Comptroller General's office, which indicated that actual revenue in 2003, \$5,305,054,270 fell short of the February 2003 BEA estimates. Short by about \$76,000,000. In turn, the BEA determined that revenue trends were not likely to turn positive in the near future. The Board then revised the 2004 revenue estimate downward to \$5,381,800,000, which is in line with what the estimate was for the 2003 year. Once again, inflation is 2%. Having a flat revenue trend again inevitably results in budget cuts for our state's agencies.

One method our state uses to plan for such shortfalls is the use of Capital Reserve Fund and the General Reserve Fund. Our state's Constitution requires that each year these two funds be provided for in the Appropriation Act. The Capital Reserve Fund is funded annually at 2% of prior year actual revenue, and the General Reserve Fund is funded at 3% of prior year actual revenue. The CRF is one-time money for contingency use where-as the GRF is our states "rainy-day" fund. The GRF fund is used only to balance the state budget at the end of a budget year, should revenue estimates not be met. These funds, which operate as a safety belt for our state budget shortfalls, will need to be replenished in the coming year.

The numbers are interesting, but the obvious question is why the decline in revenue? Some possible answers are: Unemployment rates in S.C., investment taxes, and lack of funding for annualizations. Unemployment in South Carolina rose to 7% in July 2003, while the national unemployment rate was 6.2%. State Government employment, not including school district employment figures, was down about 1,800 jobs since July 2002. One reason for the higher unemployment is due to an increase in the workforce, such as students. With fewer jobs being created, the job market is unable to absorb those seeking work, and the result is highest number of "unemployed" since 1993. With fewer in the workplace, our state income tax revenues declined in 2003 by 6.4% or \$15,125,861. Taxes resulting from investment earnings is another revenue category that realized a decline in 2003. These funds were down \$51,013,730 or 70% from 2002. As losses in the equity markets from 2000 result in tax deduction carry forwards, South Carolina realizes fewer tax dollars from investment earnings. In fact, out of thirty-six revenue categories, "earned on investments" had the greatest decline. Estate and Gift tax collections are down as well; \$19,881,630 or 31%. One positive note is that retail sales tax is up in 2003 by about 2%, but not enough to compensate for the other revenue shortfalls. One final reason for our recent budget woes is the lack of funding for annualizations (on-going programs funded with "non-recurring" dollars in the current year that must be funded in the future to keep the program at the same level of support). In the past our state has used "non-recurring" funding, such as tobacco settlement funds, capital reserve funds and most recently "one-time" federal fiscal relief funds to support on-going programs. In fiscal 2004 our state is using approximately \$192,500,000 in federal fiscal relief funds to balance the state's books, a shortage caused by revenue shortfalls mentioned earlier. Rather than utilizing these non-recurring sources of funds, a recurring source of funding needs to be utilized to fund the increased recurring demands created by additional K-12 students and the growing number of Medicaid recipients.

The national economy is slowly pulling out of recession. The Federal Reserve left the Federal Funds rate at 1% at it's Federal Open Market Committee meeting October 29, 2003. The Committee released a statement that referred to a stabilizing labor market and sustained spending. The U.S. Department of Commerce reported on October 30, 2003 that the economy grew at an annualized rate of 7.2%, as measured by GDP, in the third quarter of this year. Forecasters were anticipating about 6%. This appears to be good news for the national economy. With productivity up, an increase in the labor markets will surely follow. One economist with Moody's mentioned on CNBC's Squawk Box "It reflects a strengthening of corporate revenues, which would help boost profit margins and with these gains in business investment spending, the return of employment growth is inevitable." Perhaps good news at the national level will result in good economic news for South Carolina. With growth comes jobs and with jobs come investments and tax revenues for our state.

*Note: BEA collections include delinquent taxes under the tax amnesty program and individual and corporate income taxes to be allocated to the Property Tax Relief Fund, but exclude non-recurring cash transfers from "other funds" that are recorded as revenues for budgetary purposes.*

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# NEWS RELEASE

203 NORTH LASALLE STREET, SUITE 2700, CHICAGO, ILLINOIS 60601-1210

FOR IMMEDIATE RELEASE

December 4, 2003

CONTACTS: Jeff Esser, Executive Director Myles Harrington, President

Government Finance Officers Association Grant Street Group

(312) 977-9700 (412) 391-5555

jesser@gfoa.org myles@grantstreet.com

## **Government Finance Officers Association Teams with Grant Street Group to Bring Money Market Investment Platform to Public Sector**

CHICAGO, IL—The Government Finance Officers Association (GFOA) today announced an alliance with Grant Street Group, a fixed income Internet auction house, to create *GFOA YieldAdvantage*, a real-time electronic marketplace for governments to invest their cash holdings. Historically, governments have sought several quotes from local banks before investing their cash. This is done via fax or over the telephone, and often consumes a significant portion of a treasury manager's day. *GFOA YieldAdvantage* revolutionizes this process by creating a marketplace in which banks compete for a government's investment business. Competition optimizes the yields that governments earn on their short-term cash investments. In addition, the functionality built into the site expedites the investment process. In a typical open bid auction, a government specifies the quantity and type of investment instruments it wants to buy, and then opens up the auction. Banks bid against each other until the auction closes, at which point the government awards the funds to the bidder that best suits its needs, usually the highest bidder. During the auction, banks can view their rank, but not the best bid. In a sealed bid auction, bidders receive no feedback and hence submit just their best bids. In a sealed bid auction, *GFOA YieldAdvantage* allows governments to solicit bids for multiple investment instruments. It can be used to invest in collateralized or non-collateralized certificates of deposit, commercial paper, treasury and agency securities, and repurchase agreements. This flexibility allows governments to diversify their short-term investments, and the platform automatically compares returns across the various instruments, which further streamlines the cash investment process. "Investment officers are always on the lookout for opportunities to improve yield and make the investment process more efficient, all the while ensuring that their portfolios are safe," said GFOA Executive Director Jeffrey L. Esser "GFOA *YieldAdvantage* is one way that governments can meet these goals." The auctions will be powered by Grant Street Group, whose base product, YieldAuction, is currently being used by a number of jurisdictions, including Monroe County, NY; Sioux County and Story County, IA; and St. Johns County Tax Collector's Office, FL. "This service is an indispensable tool in today's challenging cash management environment," said Gerald Mecca, chief financial officer of Monroe County, NY "I wouldn't want to go to work without it." *GFOA YieldAdvantage* features the same functionality as Yield Auction.

### **About Grant Street Group**

Grant Street Group is the country's first and only Internet auction house dedicated exclusively to hosting auctions of fixed income instruments including new issues of bonds, notes, bills, certificates of deposit, guaranteed investment contracts, tax certificates, auction rate certificates and swaps. In addition to auction hosting, Grant Street Group designs, develops and licenses customized auction Web sites used by municipal and federal agencies and major financial institutions serving as trustees, custodians, broker-dealers, exchange agents, auction agents, and remarketing agents. About the Government Finance Officers Association GFOA is the leading professional association for those interested in government finance. GFOA's membership consists of more than 15,500 local, state, and provincial government finance officers and others responsible for financial policy decisions in governmental entities, public employee retirement systems, and various special districts. The association is headquartered in Chicago, Illinois, and has offices in Washington, D.C. For more information, visit GFOA's Web site at [www.gfoa.org](http://www.gfoa.org).

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Association of South Carolina**

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**Web Site Changes**

Big plans are underway for the  
GFOASC Web Site. We hope  
to unveil them in January!

Please check out the  
site at  
[www.state.sc.us/gfoa/](http://www.state.sc.us/gfoa/)  
and find out  
what resources we  
have available for you  
coming in January 2004!

**Congratulations To Our Newly Elected 2004 Board Members!**

*The following members were elected to serve on the*

*2004 GFOASC Board:*

*Renee Moore—President-Elect*

*Martin Taylor—Treasurer*

*Pam Hawkins—Secretary*

*Carol Martin—Director*

*Matt Evans—Director*

*More info on the full board can be found on our web site!*

**Newsletter  
Deadlines**

If you have career announce-  
ments, job opportunities, or  
an article you would like  
printed in the GFOASC  
Newsletter, please contact:

Lynne Lee  
GFOASC Administrative  
Coordinator  
P.O. Box 280334  
Columbia, SC 29228  
(803) 951-7371 Phone  
(803) 359-4892 Fax  
[lslee@sc.rr.com](mailto:lslee@sc.rr.com) Email

The deadlines for upcoming  
issues this year will be as  
follows:

February 15, 2004  
May 15, 2004  
August 15, 2004  
November 15, 2004

This information can also be  
posted on our Web site if  
requested.

***Watch the Web Site for CPE Class Information To Be Posted Soon!***

**Happy Holidays!!**

Merry Christmas!

Happy Hanukkah!

Happy Kwanzaa!

Happy New Year!

**Membership Renewals**

Membership Renewals will be mailed out in late December. Please let us know if you do not receive one. GFOASC Memberships run calendar year and the normal renewal period is January 1—March 31 of each year but we do take renewals as well as new memberships at any time during the year.

Email us with any questions or concerns about your  
membership at [lslee@sc.rr.com](mailto:lslee@sc.rr.com)