

NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER



*Dale R. Folwell, CPA*  
STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

---

STATE AND LOCAL GOVERNMENT FINANCE DIVISION

# Fiscal Training for Board Members

# Fiscal Training for Board Members

**Module 1** -Responsibilities of Board Members & Introduction to Local Government Commission

**Module 2** -Budgets

**Module 3** -Finance Officer, Monthly Financial Reports, and Fund Balance

**Module 4** -Preaudits and Disbursements

**Module 5** -Annual Audit Process

**Module 6** -Establishing a Debt Policy

**Module 7** -Ethics and Conflicts of Interest

**Module 8** –Importance of Internal Controls



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

*Dale R. Folwell, CPA*

NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER



*Dale R. Folwell, CPA*  
STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

---

STATE AND LOCAL GOVERNMENT FINANCE DIVISION

# Module 1: Responsibilities of Board Members & Introduction to Local Government Commission

# Importance of Responsibilities of Board Members

---

- Governing board has a fiduciary responsibility to the Unit's taxpayers and residents to manage the funds and the Unit appropriately
- Governing board is ultimately responsible for the finances and fiscal status of the Unit



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

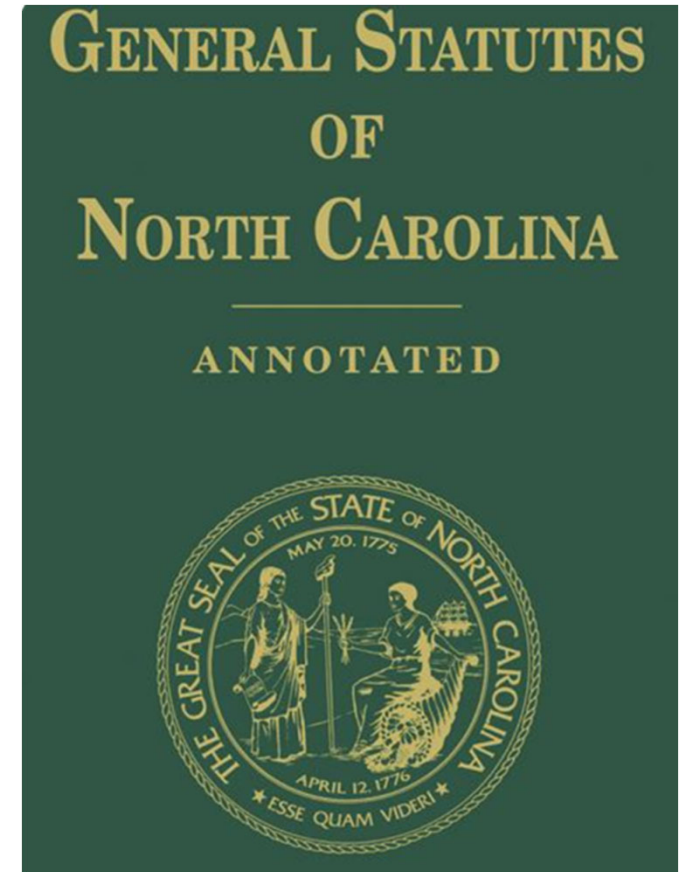
STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*



# Importance of Responsibilities of Board Members

---

- Financial authority from the Local Government Budget and Fiscal Control Act



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Importance of Responsibilities of Board Members

---

- Critical role in overseeing compliance
- Set expectations for employees to follow requirements of Local Government Budget and Fiscal Control Act.

## SUBCHAPTER III. BUDGETS AND FISCAL CONTROL.

### Article 3.

#### The Local Government Budget and Fiscal Control Act.

##### Part 1. Budgets.

#### § 159-7. Short title; definitions; local acts superseded.

- (a) This Article may be cited as "The Local Government Budget and Fiscal Control Act."
- (b) The words and phrases defined in this section have the meanings indicated when used in this Article, unless the context clearly requires another meaning.
  - (1) "Budget" is a proposed plan for raising and spending money for specified programs, functions, activities or objectives during a fiscal year.
  - (2) "Budget ordinance" is the ordinance that levies taxes and appropriates revenues for specified purposes, functions, activities, or objectives during a fiscal year.
  - (3) "Budget year" is the fiscal year for which a budget is proposed or a budget ordinance is adopted.
  - (4) "Debt service" is the sum of money required to pay installments of principal and interest on bonds, notes, and other evidences of debt accruing within a fiscal year, to maintain sinking funds, and to pay installments on debt instruments issued pursuant to Article 7A of this Chapter or Chapter 159G of the General Statutes accruing within a fiscal year.
  - (5), (6) Repealed by Session Laws 1975, c. 514, s. 2.
  - (7) "Fiscal year" is the annual period for the compilation of fiscal operations, as prescribed in G.S. 159-8(b).
  - (8) "Fund" is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other resources, together with all related liabilities and residual equities or balances, and changes therein, for the



# Local Government Budget and Fiscal Control Act

---

**LGBFCA sets forth requirements for local governments in areas such as:**

1. Budgets
2. Fiscal Control
3. Borrowing Money

## **SUBCHAPTER III. BUDGETS AND FISCAL CONTROL.**

### **Article 3.**

**The Local Government Budget and Fiscal Control Act.**



**NORTH CAROLINA**  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Local Government Commission

---

- Established in 1931
- Staffed by Department of State Treasurer



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Local Government Commission

---

- Composed of Nine Members
- State Treasurer, Dale Folwell is Chairman



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Local Government Commission

---

- Typically meets first Tuesday of the month.
- Meetings can be live streamed at Local Government Commission [webpage](#).
- The agenda for each meeting is also posted on the Department's website.





# Local Government Commission

---

The Local Government Commission has authority under certain circumstances to compel local governments and public authorities:

1. To require Finance Officer or anyone performing the duties of the Finance Officer to participate in training (159-25d)-Applies to specific units as identified in the statute

(d) The Local Government Commission has the authority to require any finance officer or any other employee who performs the duties of a finance officer to participate in training related to the powers, duties, and responsibilities of the finance officer under any of the following circumstances: (i) the Commission is exercising its authority under Article 10 of this Chapter with respect to the employing local government or public authority, (ii) the employing local government or public authority has received a unit letter from the Commission due to a deficiency in complying with this Chapter, (iii) the employing local government or public authority has an internal control material weakness or significant deficiency in the most recently completed financial audit, or (iv) the finance officer fails to annually meet or attest to the minimum qualifications of the position, as established by the Local Government Commission. The Commission may collaborate with the School of Government at the University of North Carolina, the North Carolina Community College System, and other educational institutions in the State to develop and deliver the training required by this subsection. When the Commission requires a finance officer or other employee to participate in training as authorized in this subsection, the Commission shall notify the finance officer or other employee and the employing local government or public authority of the required training. Upon completion of the required training by the finance officer or other employee, the employing local government or public authority shall submit, in writing, to the Commission proof that the training requirements have been satisfied.





# Local Government Commission

---

2. To require local governments and public authorities to contract with outside entities, such as a third-party bookkeeper, to fulfill the duties of Finance Officer (159-25e). Applies to specific units as identified in the statute

(e) The Local Government Commission may require any local government or public authority to contract with outside entities in accordance with the terms of subdivision (9) of subsection (a) of this section if the local government or public authority has received a unit letter from the Commission due to a deficiency in complying with this Chapter or the local government or public authority has an internal control finding in the most recently completed financial audit. (1971, c. 780, s. 1; 1973, c. 474, ss. 18-20; 1975, c. 514, s. 10; 1987, c. 796, s. 3(5); 2016-84, s. 1; 2017-105, s. 1; 2019-19, s. 6.2.)



# Local Government Commission

---

3. To impound the books and records of local government and assume full control of all its financial affairs (159-181c) Under specific conditions

(c) The Local Government Commission shall have authority to impound the books and records of any unit of local government or public authority and assume full control of all its financial affairs (i) when the unit or authority defaults on any debt service payment or, in the opinion of the Commission, will default on a future debt service payment if the financial policies and practices of the unit or authority are not improved, or (ii) when the unit or authority persists, after notice and warning from the Commission, in willfully or negligently failing or refusing to comply with the provisions of this Chapter. When the Commission takes action under this section, the Commission is vested with all of the powers of the governing board as to the levy of taxes, expenditure of money, adoption of budgets, and all other financial powers conferred upon the governing board by law. This subsection (c) does not apply to contractual obligations undertaken by a unit of local government in a debt instrument issued pursuant to Chapter 159G of the General Statutes unless such debt instrument is secured by a pledge of the faith and credit of the unit of local government.



# Resources

---

LGC Staff (919)-814-4300

[LGC Website](#)

<https://www.sog.unc.edu>

[www.nclm.org](http://www.nclm.org)

[www.ncacc.org](http://www.ncacc.org)

<https://www.gfoa.org/best-practices--resource>



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

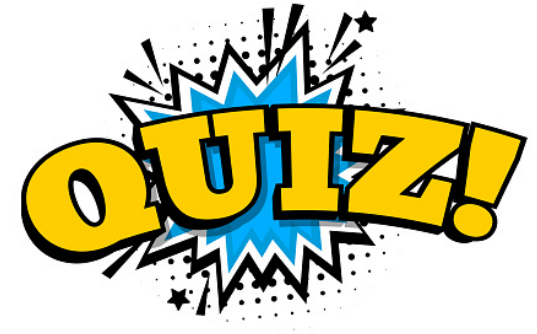
State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

*Dale R. Folwell, CPA*

# Module 1

1. Who is ultimately responsible for the finances and fiscal status of a unit?
2. Who is the chairman of the Local Government Commission?
3. Does the Local Government Commission have the authority to impound the books and records and assume full control of all financial affairs of a unit?



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER



*Dale R. Folwell, CPA*  
STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

---

STATE AND LOCAL GOVERNMENT FINANCE DIVISION

# Module 2: Budgets

# Budget Overview

---

- The budget is the most important fiscal document a governing board produces.
- Development of a well thought-out and timely budget is a fundamental responsibility of a governing board.
- A well considered budget reflects the priorities of the governing board.

CITY OF  
DOGWOOD

BUDGET 2021-2022



Mayor: Susie Tarheel

Mayor Pro ~~Tem~~: Fred Deacon

Manager: John Bluedevel

Clerk: Robin Wolfpack



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

*Dale R. Folwell, CPA*

# Budget Overview

---

- Local Government Budget and Fiscal Control Act provides the requirements of the budget development and adoption.

## **SUBCHAPTER III. BUDGETS AND FISCAL CONTROL.**

### Article 3.

### The Local Government Budget and Fiscal Control Act.

### Part 1. Budgets.



**NORTH CAROLINA**  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

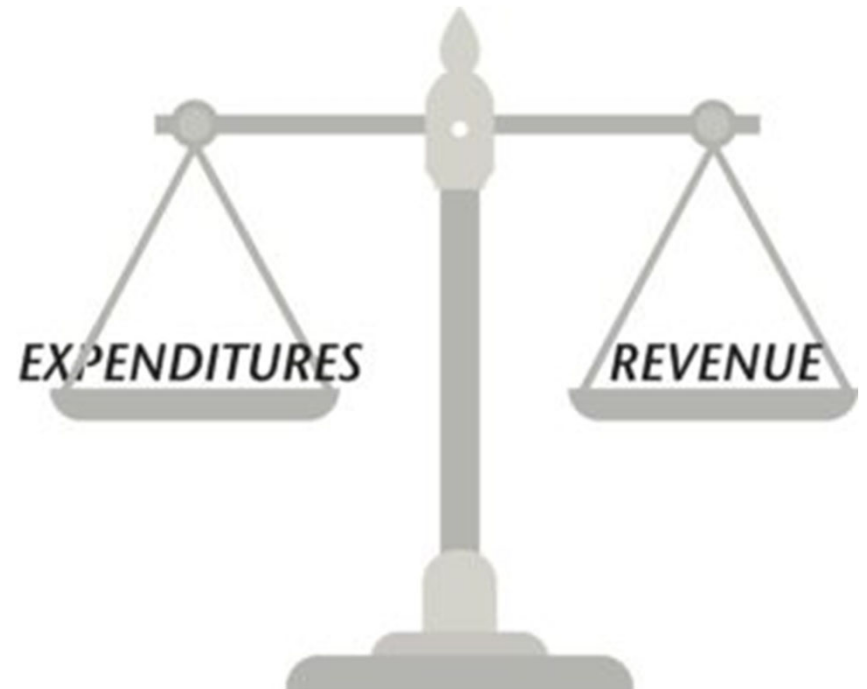
*Dale R. Folwell, CPA*



# Budget Overview

---

- The annual operating budget must be balanced.
- Recurring revenues should equal recurring expenditures.
- Do not use fund balance for recurring expenditures, such as payroll or utilities.
- Fund balance should be used for emergencies or one-time uses.



# Budget Overview

---

- The government has NO authority to buy anything that is not budgeted.
- Such spending is illegal.



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Budget Officer

---

- Each local government must appoint a budget officer.
- If a county or municipality is operating under the manager form of government, then the manager is the budget officer.
- Other governments may impose the budget officer duty on any officer or employee.



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Budget Officer

---

## The Budget Officer has two main duties

1. Prepare the annual budget.
2. Execute the annual budget.



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Budget Preparation and Calendar

- The LGBFCA lays out key dates for budget preparation
- Each governing board should have a budget process and timeline



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA

DALE R. FOLWELL, CPA

*Dale R. Folwell, CPA*



# Budget Preparation and Calendar

- Governing board should play a key role in the budget preparation process
- Governing board should provide guidance, priorities, and goals to budget officer (ex. staff raises, tax rate).
- When looking at tax increases, consider similar sized units with similar services to make sure the government is in line with them.



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Budget Preparation and Calendar

---

- Governing boards should think long term when developing the budget.
- Budgeting priorities this year may impact the government for years to come.



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*



# Budget Preparation and Calendar

---

- Should not transfer monies from or to an enterprise fund as a subsidy. Each fund should be self-supporting.
- It is proper to post operating expenses across several funds if all of the funds are benefitting from the expense.
- Use a reasonable allocation basis, such as square footage.



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

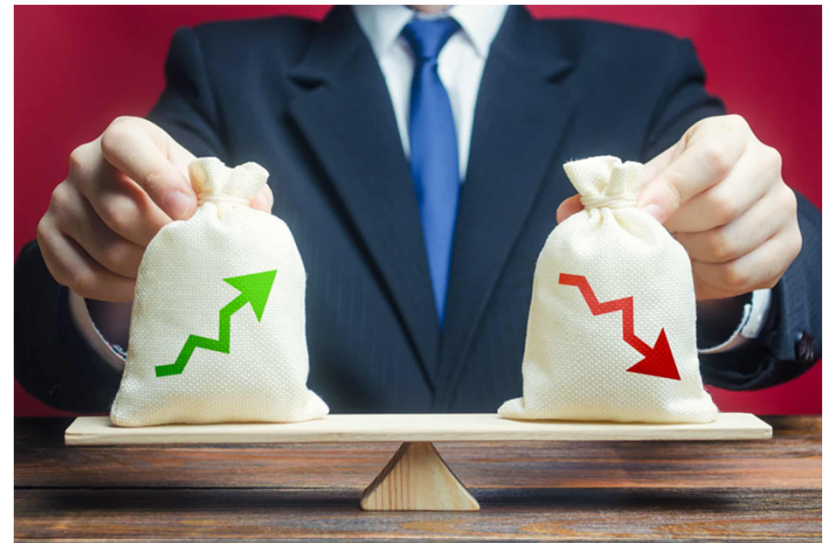
State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Budget Preparation and Calendar

---

- Appropriation of fund balance should be a one-time revenue source for special circumstances and not recurring expenditures.



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Budget Preparation and Calendar

---

- “Fund balance” – Accounting term.
- Accounting equation:  
$$\text{Assets} - \text{Liabilities} = \text{Equity}$$
- Fund balance is what equity of governmental funds is called.
- Fund balance is the reserve used to provide for emergencies or one-time uses.
- Some of this amount will be restricted for specific amounts like Powell Bill.
- “Fund balance Available” – Statutory term used only in NC.
- Defined in NCGS 159-13(b)(16).
- Can be calculated from annual audit using link on our [website](#).
- FBA is the legal limit that can be used to balance the budget in the next fiscal year.
- FBA should not be used for recurring expenses, like payroll or benefits.
- FBA is only a portion of total fund balance



# Understanding Fund Balance

---

- Unassigned fund balance is like a savings account.
- Governments need sufficient cash for emergencies.
- Governments should develop a fund balance policy and adhere to it when taking budget actions.



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Understanding Fund Balance

---

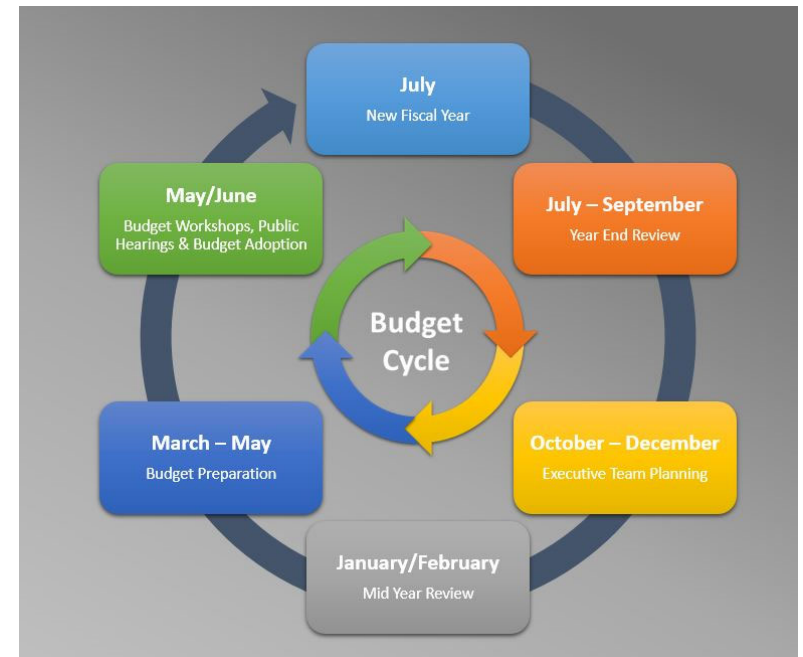
- Cash in the bank does not mean the board has that money to spend.
- The myth of 8%.
- Annual Cash and Fund Balance Available memos can be found [here](#).



# Budget Preparation and Calendar

---

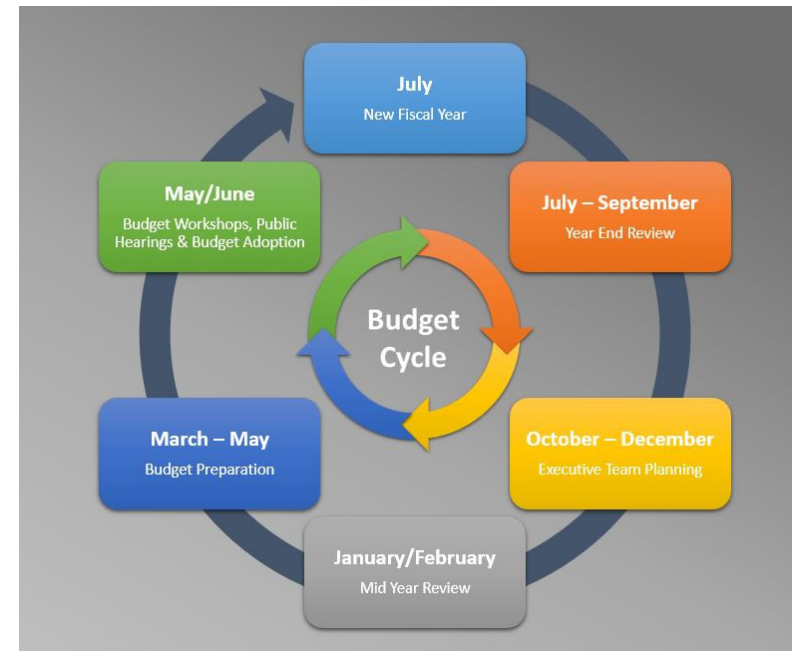
- January-April
  - Budget workshops
  - Estimation of current and next years' revenues and expenditures.



# Budget Preparation and Calendar

---

- April 30-Date for department heads to submit requests to budget officer.
- June 1-Budget ordinance must be presented to board.
- July 1-Budget ordinance must be adopted.





# Budget Ordinance

## The budget ordinance is the legal document that

1. Estimates operating revenues
2. Establishes authority to spend public monies via appropriations
3. Levies ad valorem taxes

### BUDGET ORDINANCE FOR 2020-2021 CITY OF DOGWOOD

**BE IT ORDAINED** by the City Council of the City of Dogwood, North Carolina:

Section 1: The following amounts are hereby appropriated for the operation of the City Government and its activities for the Fiscal Year beginning July 1, 2020, and ending June 30, 2021 in the General Fund:

GENERAL FUND EXPENDITURES	
Governing Board	\$ 29,580
Administration	334,140
Planning and Zoning	80,995
Environmental Protection	160,800
Transportation/Public Works	181,885
Park and Recreation	<u>197,600</u>
<b>TOTAL</b>	<b>\$ 985,000</b>

Section 2: It is estimated that the following revenue will be available in the General Fund for the fiscal year beginning July 1, 2020, and ending June 30, 2021:

GENERAL FUND REVENUE	
Ad Valorem Tax	\$ 460,671
Vehicle Tax	22,000
Lease Tax	5,000
Sales and Use Tax	103,500
Beer and Wine Tax	6,175
Electricity Sales Tax	70,700
Telecommunication Sales Tax	12,852
Piped Natural Gas Sales Tax	1,477
Powell Bill Fund	35,000
Video Programming Tax	15,000
Planning and Zoning Fees	10,000
Garbage Collection Fees	148,166
Solid Waste Disposal Fees	1,200
Golf Cart Registration Fees	3,700
Building Permit Fees	70,000
Interest Income	<u>9,000</u>
<b>TOTAL</b>	<b>\$ 985,000</b>

Section 3: There is hereby levied a tax rate of .1175 per \$100 of the assessed value as listed for taxes as of January 1, 2020 for the purpose of raising the revenue listed as *Ad Valorem* in the General Fund in the Revenues section of this ordinance.



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Budget Ordinance

---

- Budget ordinance must appropriate required amount for debt service.
- A contingency appropriation cannot be more than 5% of the total fund budget.



# Budget Ordinance

---

To have a legally set ad valorem tax rate the budget must include:

1. Tax rate
2. Valuation
3. Expected collection percentage

This rate is based on a total valuation of property for the purposes of taxation of \$47,391,667 and an estimated rate of collection of 94.0%. The estimated rate of collection is based on the fiscal 2020-2021 collection rate of 96.4%.

Section 12: The City Manager or a designee is hereby authorized to transfer appropriations as contained herein under the following conditions:

- a) Transfers between line item expenditures within a department without limitation and without a report being required. These changes must not result in increases in recurring obligations such as salaries.
- b) Transfers up to \$1,000 between departments, including contingency appropriations, within the same fund. The budget officer must make an official report on such transfers at the next regular meeting of the Governing Board.
- c) All transfer between funds require prior approved by the Governing Board in an amendment to the Budget Ordinance

Section 13: The City Manager or a designee may make cash advances between funds for periods not to exceed 60 days without reporting to the Governing Board. Any advances that extend beyond 60 days must be approved by the Board. All advances that will be outstanding at the end of the fiscal year must be approved by the Board.

Section 14: Copies of this Budget Ordinance shall be furnished to the Clerk to the Governing Board and to the Budget Officer and Finance Officer to be kept on file by them for their direction in the disbursement of funds.

Adopted this \_\_\_\_\_ day of June, 2020

\_\_\_\_\_  
City of Dogwood Mayor

\_\_\_\_\_  
City of Dogwood Clerk



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA

DALE R. FOLWELL, CPA

*Dale R. Folwell, CPA*

# Budget Ordinance

---

- Budget ordinance should include instructions to staff such as authority to transfer appropriations within a fund up to a certain limit.

This rate is based on a total valuation of property for the purposes of taxation of \$47,391,667 and an estimated rate of collection of 94.0%. The estimated rate of collection is based on the fiscal 2020-2021 collection rate of 96.4%.

Section 12: The City Manager or a designee is hereby authorized to transfer appropriations as contained herein under the following conditions:

- a) Transfers between line item expenditures within a department without limitation and without a report being required. These changes must not result in increases in recurring obligations such as salaries.
- b) Transfers up to \$1,000 between departments, including contingency appropriations, within the same fund. The budget officer must make an official report on such transfers at the next regular meeting of the Governing Board.
- c) All transfer between funds require prior approved by the Governing Board in an amendment to the Budget Ordinance

Section 13: The City Manager or a designee may make cash advances between funds for periods not to exceed 60 days without reporting to the Governing Board. Any advances that extend beyond 60 days must be approved by the Board. All advances that will be outstanding at the end of the fiscal year must be approved by the Board.

Section 14: Copies of this Budget Ordinance shall be furnished to the Clerk to the Governing Board and to the Budget Officer and Finance Officer to be kept on file by them for their direction in the disbursement of funds.

Adopted this \_\_\_\_\_ day of June, 2020

\_\_\_\_\_  
City of Dogwood Mayor

\_\_\_\_\_  
City of Dogwood Clerk



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Budget Ordinance

- An annual operating budget ordinance typically covers a period from July 1 to June 30.

## BUDGET ORDINANCE FOR 2020-2021 CITY OF DOGWOOD

BE IT ORDAINED by the City Council of the City of Dogwood, North Carolina:

Section 1: The following amounts are hereby appropriated for the operation of the City Government and its activities for the Fiscal Year beginning July 1, 2020, and ending June 30, 2021 in the General Fund:

GENERAL FUND EXPENDITURES	
Administration Board	\$ 29,780
Administration	334,140
Planning and Zoning	80,995
Environmental Protection	160,800
Transportation/Public Works	181,885
Park and Recreation	<u>197,600</u>

**TOTAL** **\$ 985,000**

Section 2: It is estimated that the following revenue will be available in the General Fund for the fiscal year beginning July 1, 2020, and ending June 30, 2021:

GENERAL FUND REVENUE	
Ad Valorem Tax	\$ 460,671
Vehicle Tax	22,000
Lease Tax	5,000
Sales and Use Tax	103,500
Beer and Wine Tax	6,175
Electricity Sales Tax	70,700
Telecommunication Sales Tax	12,852
Piped Natural Gas Sales Tax	1,477
Powell Bill Fund	35,000
Video Programming Tax	15,000
Planning and Zoning Fees	10,000
Garbage Collection Fees	148,166
Solid Waste Disposal Fees	1,200
Golf Cart Registration Fees	3,700
Building Permit Fees	70,000
Interest Income	<u>9,000</u>

**TOTAL** **\$ 985,000**

Section 3: There is hereby levied a tax rate of .1175 per \$100 of the assessed value as listed for taxes as of January 1, 2020 for the purpose of raising the revenue listed as *Ad Valorem* in the General Fund in the Revenues section of this ordinance.



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA

DALE R. FOLWELL, CPA

*Dale R. Folwell, CPA*

# Budget Adoption Process

---

- Budget Officer presents a proposed budget with a budget message to the board by June 1 at a public meeting.
- Budget is then filed with the board's clerk.

CITY OF  
DOGWOOD

BUDGET 2021-2022



Mayor: Susie Tarheel

Mayor Pro Tem: Fred Deacon

Manager: John Bluedevel

Clerk: Robin Wolfpack



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*



# Budget Adoption Process

---

- Clerk makes copies of the budget available to the public and the media.
- Clerk publishes an official notice that the budget has been submitted and gives notice of a public hearing.



# Budget Adoption Process

---

- A public hearing is scheduled and publicized.
- Anyone wishing to speak concerning the budget is given an opportunity to speak.



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

*Dale R. Folwell, CPA*

# Budget Adoption Process

---

- At least ten days must pass between the presentation of the budget to the board and the adoption of the budget.
- The board may make changes to the budget before or after the budget hearing.



# Budget Adoption Process

---

- The budget must be adopted by a simple majority by July 1.
- A copy of the adopted budget ordinance is filed with the finance officer, budget officer and clerk within five days of adoption

CITY OF  
DOGWOOD

BUDGET 2021-2022



Mayor: Susie Tarheel

Mayor Pro Tem: Fred Deacon

Manager: John Bluedevel

Clerk: Robin Wolfpack



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Interim Budget

- If a budget cannot be adopted by July 1 an interim budget must be passed.
- Disbursements cannot be made after June 30 without an approved annual budget or interim budget.

## INTERIM BUDGET ORDINANCE FOR 2020-2021 CITY OF DOGWOOD

**BE IT ORDAINED** by the City Council of the City of Carolina, North Carolina, that pursuant to G.S. 159-16:

**Section 1:** The following amounts are hereby appropriated in the General Fund for the operation of the county government and its activities for the month of July, 2021 in accordance with the chart of accounts heretofore established for this City:

Governing Board	\$ 2,465
Administration	27,845
Planning and Zoning	6,750
Environmental Protection	13,400
Transportation/Public Works	15,157
Park and Recreation	16,467
Total appropriations	<u>\$ 82,084</u>

**Section 2:** The City Administrator, as Budget Officer is hereby authorized to transfer appropriations as contained herein under the following conditions:

- Transfers between line item expenditures within a department without limitation and without a report being required. These changes must not result in increases in recurring obligations such as salaries.
- Transfers up to \$1,000 between departments, including contingency appropriations, within the same fund and must make an official report on such transfers at the next regular meeting of the City Council.

**Section 7:** The City Administrator, as Budget Officer may make cash advances between funds for periods not to exceed 60 days with the approval of the City Council.

**Section 8:** Copies of this Interim Budget Ordinance shall be furnished to the Clerk to the City Council and to the Budget Officer and Finance Officer to be kept on file by them for their direction in the disbursement of funds.

\_\_\_\_\_  
City of Dogwood Mayor

\_\_\_\_\_  
City of Dogwood Clerk



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Interim Budget

- Property taxes are not levied in an interim budget.
- Interim budgets should be used rarely for the shortest possible time.
- When the final budget is adopted, the expenditures incurred during the interim budget will be included in the final budget.

## INTERIM BUDGET ORDINANCE FOR 2020-2021 CITY OF DOGWOOD

**BE IT ORDAINED** by the City Council of the City of Carolina, North Carolina, that pursuant to G.S. 159-16:

**Section 1:** The following amounts are hereby appropriated in the General Fund for the operation of the county government and its activities for the month of July, 2021 in accordance with the chart of accounts heretofore established for this City:

Governing Board	\$ 2,465
Administration	27,845
Planning and Zoning	6,750
Environmental Protection	13,400
Transportation/Public Works	15,157
Park and Recreation	16,467
Total appropriations	<u>\$ 82,084</u>

**Section 2:** The City Administrator, as Budget Officer is hereby authorized to transfer appropriations as contained herein under the following conditions:

- Transfers between line item expenditures within a department without limitation and without a report being required. These changes must not result in increases in recurring obligations such as salaries.
- Transfers up to \$1,000 between departments, including contingency appropriations, within the same fund and must make an official report on such transfers at the next regular meeting of the City Council.

**Section 7:** The City Administrator, as Budget Officer may make cash advances between funds for periods not to exceed 60 days with the approval of the City Council.

**Section 8:** Copies of this Interim Budget Ordinance shall be furnished to the Clerk to the City Council and to the Budget Officer and Finance Officer to be kept on file by them for their direction in the disbursement of funds.

\_\_\_\_\_  
City of Dogwood Mayor

\_\_\_\_\_  
City of Dogwood Clerk



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*



# Budget Preparation and Calendar

---

- Governing boards can use a capital reserve fund as method for saving money for capital projects.
- Boards would need to adopt a capital project ordinance before funds are spent.
- A capital reserve fund is for saving funds only.

## CAPITAL IMPROVEMENT PROJECT ORDINANCE CITY OF DOGWOOD

**BE IT ORDAINED** by the City Council of the City of Dogwood, North Carolina that, pursuant to Section 13.2 of Chapter 159 of the General Statutes of North Carolina, the following capital project ordinance is hereby adopted:

Section 1: The project authorized is the construction of a wastewater treatment plant to be financed by the sale of general obligation bonds, a federal grant, and reserves.

Section 2: The officers of this unit are hereby directed to proceed with the capital project within the terms of the bond resolution, grant documents, and the budget contained herein.

Section 3: The following amounts are appropriated for the project:

PROJECT ORDINANCE APPROPRIATIONS	
Engineering	\$ 120,000
Land	90,000
Construction	<u>1,440,000</u>
<b>TOTAL</b>	<b>\$1,650,000</b>

Section 4: The following revenues are anticipated to be available to complete this project:

PROJECT ORDINANCE REVENUE	
Proceeds from general obligation bonds	\$1,100,000
Federal Grant	500,000
Investment Earnings	29,200
Transfer from Wastewater Treatment	
Capital Reserve Fund	<u>20,800</u>
<b>TOTAL</b>	<b>\$1,650,000</b>

Section 5: The Finance Officer is hereby directed to maintain within the Capital Project Fund sufficient specific detailed accounting records to satisfy the requirements of the grantor agency, the grant agreements, and federal regulations. The terms of the bond resolution also shall be met.

Section 6: Funds may be advanced from the General Fund for the purpose of making payments as due. Reimbursement requests should be made to the grantor agency in an orderly and timely manner.

Section 7: The Finance Officer is directed to report, on a quarterly basis, on the financial status of each project element in Section 3 and on the total grant revenues received or claimed.



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA

DALE R. FOLWELL, CPA

*Dale R. Folwell, CPA*

# Budget Preparation and Calendar

---

Capital Project Fund should include:

1. Purpose of fund;
2. Approximate period of time for fund;
3. Approximate amount of funds needed for the project; and
4. Source from which monies will be derived.

## CAPITAL IMPROVEMENT PROJECT ORDINANCE CITY OF DOGWOOD

**BE IT ORDAINED** by the City Council of the City of Dogwood, North Carolina that, pursuant to Section 13.2 of Chapter 159 of the General Statutes of North Carolina, the following capital project ordinance is hereby adopted:

Section 1: The project authorized is the construction of a wastewater treatment plant to be financed by the sale of general obligation bonds, a federal grant, and reserves.

Section 2: The officers of this unit are hereby directed to proceed with the capital project within the terms of the bond resolution, grant documents, and the budget contained herein.

Section 3: The following amounts are appropriated for the project:

PROJECT ORDINANCE APPROPRIATIONS	
Engineering	\$ 120,000
Land	90,000
Construction	<u>1,440,000</u>
<b>TOTAL</b>	<b>\$1,650,000</b>

Section 4: The following revenues are anticipated to be available to complete this project:

PROJECT ORDINANCE REVENUE	
Proceeds from general obligation bonds	\$1,100,000
Federal Grant	500,000
Investment Earnings	29,200
Transfer from Wastewater Treatment	
Capital Reserve Fund	<u>20,800</u>
<b>TOTAL</b>	<b>\$1,650,000</b>

Section 5. The Finance Officer is hereby directed to maintain within the Capital Project Fund sufficient specific detailed accounting records to satisfy the requirements of the grantor agency, the grant agreements, and federal regulations. The terms of the bond resolution also shall be met.

Section 6. Funds may be advanced from the General Fund for the purpose of making payments as due. Reimbursement requests should be made to the grantor agency in an orderly and timely manner.

Section 7. The Finance Officer is directed to report, on a quarterly basis, on the financial status of each project element in Section 3 and on the total grant revenues received or claimed.



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA

DALE R. FOLWELL, CPA

*Dale R. Folwell, CPA*

# Budget Amendments

---

- The budget can be amended at any time as long as it stays balanced.
- Budget amendments must be made prior to obligating funds in excess of budgeted appropriations.



# Budget Amendments

---

- The board has no authority to spend monies that are not budgeted



**NORTH CAROLINA**  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

*Dale R. Folwell, CPA*

# Budget Amendments

---

Budget amendment cannot change the tax levy unless:

1. Revenues received are substantially more or less than the amount estimated in budget and the amendment is adopted before January 1 or
2. The board is directed to do so by the courts or an authorized state agency



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Budget Amendments

- A budget amendment can be adopted at a regular meeting and does not need a public hearing.

## AMENDMENT TO BUDGET ORDINANCE CITY OF DOGWOOD

**BE IT ORDAINED** by the Governing Board of the City of Dogwood, North Carolina, that the following amendment is made to the annual budget ordinance for the fiscal year ending June 30, 2020:

Section 1: To amend the General Fund, the appropriations are to be changed as follows:

<u>Account</u>	<u>Decrease</u>	<u>Increase</u>
Administration		\$ 9,814
Planning and Zoning		25,672
Transportation (Powell Bill)	\$ 1,888	
Park and Recreation	<u>1,000</u>	
TOTAL	\$ 2,888	\$35,486

Section 2: To amend the General Fund, the estimated revenues are to be changed as follows:

<u>Account</u>	<u>Decrease</u>	<u>Increase</u>
Current Year's Property Taxes		\$32,398
Investment Income		<u>200</u>
TOTAL	\$ 0	\$32,598

The budget office has performed a thorough analysis of property taxes for the year and has determined that actual collections will exceed current budget by at least \$32,398. We are therefore recommending that current year's property tax revenue estimate be amended as indicated.

The budget office has also reviewed interest earnings and due to higher than estimated market rates actual investment income is estimated to exceed current budget by at least \$200.

Section 3: Copies of this budget amendment shall be furnished to the Clerk of the Governing Board, and to the Budget Officer and the Finance Officer for their direction.



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*



# Budget Amendments

- If authorized by the board, the budget officer can redeploy monies from one appropriation to another within the same fund if the transfer is less than a specified amount
- The budget officer should disclose this adjustment to the board at the next meeting

This rate is based on a total valuation of property for the purposes of taxation of \$47,391,667 and an estimated rate of collection of 94.0%. The estimated rate of collection is based on the fiscal 2020-2021 collection rate of 96.4%.

Section 12: The City Manager or a designee is hereby authorized to transfer appropriations as contained herein under the following conditions:

- a) Transfers between line item expenditures within a department without limitation and without a report being required. These changes must not result in increases in recurring obligations such as salaries.
- b) Transfers up to \$1,000 between departments, including contingency appropriations, within the same fund. The budget officer must make an official report on such transfers at the next regular meeting of the Governing Board.
- c) All transfer between funds require prior approved by the Governing Board in an amendment to the Budget Ordinance

Section 13: The City Manager or a designee may make cash advances between funds for periods not to exceed 60 days without reporting to the Governing Board. Any advances that extend beyond 60 days must be approved by the Board. All advances that will be outstanding at the end of the fiscal year must be approved by the Board.

Section 14: Copies of this Budget Ordinance shall be furnished to the Clerk to the Governing Board and to the Budget Officer and Finance Officer to be kept on file by them for their direction in the disbursement of funds.

Adopted this \_\_\_\_\_ day of June, 2020

\_\_\_\_\_  
City of Dogwood Mayor

\_\_\_\_\_  
City of Dogwood Clerk



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Resources

---

LGC Staff (919)-814-4300

[LGC Website](#)

<https://www.sog.unc.edu>

[www.ncilm.org](http://www.ncilm.org)

[www.ncacc.org](http://www.ncacc.org)

<https://www.gfoa.org/best-practices--resources>



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

*Dale R. Folwell, CPA*

## Module 2

1. What is the most important fiscal document a governing board produces?
2. Who is responsible to prepare and execute the annual budget?
3. What date must the annual budget be adopted by the governing board?



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER



*Dale R. Folwell, CPA*  
STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

---

STATE AND LOCAL GOVERNMENT FINANCE DIVISION

# Module 3: Finance Officer, Monthly Financial Reports & Fund Balance

# Finance Officer

---

- LGBFCA requires governing boards to appoint a finance officer.
- The board must make sure a qualified person is in the role of finance officer.



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Contracted Third-party Bookkeeper

---

- NCGS 159-25 (a)(9) allows the board to contract with a third-party to help with the financial work.
- The board must still task a qualified employee or board member with overseeing the third-party's work to make sure the government is getting what it is paying for.
- The third-party bookkeeper should attend board meetings to answer any questions the board might have.





# Contracted Third-party Bookkeeper

- If the unit has a third-party bookkeeper, then monthly reporting should be required in the contract.
- Also, include language that contractor will not be paid if timely and accurate financial reports are not provided to the board.
- A sample contract for a third-party bookkeeper is on our website [here](#).

**SAMPLE**  
AGREEMENT BETWEEN THE CITY OF DOGWOOD  
AND A THIRD-PARTY BOOKKEEPER

THIS AGREEMENT, is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by and between Dogwood, North Carolina (the "City") party of the first part; and \_\_\_\_\_ (the "Provider"), party of the second part.

**WITNESSETH:**

For the purpose and subject to the terms and conditions hereinafter set forth, the City hereby contracts for the services of the Provider, and the Provider agrees to provide the services to the City in accordance with the terms of this Agreement.

**I. SERVICES TO BE PROVIDED BY PROVIDER**

**A. Board Meeting Duties**

1. Attend board meeting (at least one each month) to answer questions about the monthly financial reports presented to the board – budget to actual report, cash balances, expenditures, status of bank and other account reconciliations.

**B. Ongoing Monthly General Accounting Duties**

1. Accounts payable (bills to be paid on the 15<sup>th</sup> and 30<sup>th</sup> of each month). Review approved invoices and prepare checks for Mayor and Finance Officer's signatures. City will mail checks. Precautions will be taken to ensure invoices are properly noted when paid to prevent duplicate payments.
2. Prepare monthly financial reports to the governing board and city staff including monthly and YTD budget to actual comparisons and a comparison to the same time last year by the 15<sup>th</sup> of the following month. Ending cash balances for all bank accounts should also be included with monthly information. An executive summary narrative should accompany the reports that highlight revenue and expenditure trends and any unusual or unexpected fiscal transactions.
3. Recommend budget amendments when necessary.
4. File required financial reports and certifications timely and accurately to the State and IRS.
5. Monthly bank statement reconciliations completed by the 15<sup>th</sup> of the subsequent month with backup requested by the Finance Officer including, but not limited, to General Ledger trial balance, documentation of reconciled items, and paid and outstanding check lists.
6. Reconciled items should be resolved and corrected in the ledger before the end of the subsequent month.



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Finance Officer

---

- LGBFCA requires the finance officer be bonded for at least \$50,000.
- Units should have adequate coverage and not just the minimum.
- This bond is for the protection of the local government.

## § 159-29. Fidelity bonds.

(a) The finance officer shall give a true accounting and faithful performance bond with sufficient sureties in an amount to be fixed by the governing board, not less than fifty thousand dollars (\$50,000). The premium on the bond shall be paid by the local government or public authority.

(b) Each officer, employee, or agent of a local government or public authority who handles or has in his custody more than one hundred dollars (\$100.00) of the unit's or public authority's funds at any time, or who handles or has access to the inventories of the unit or public authority, shall, before being entitled to assume his duties, give a faithful performance bond with sufficient sureties payable to the local government or public authority. The governing board shall determine the amount of the bond, and the unit or public authority may pay the premium on the bond. Each bond, when approved by the governing board, shall be deposited with the clerk to the board.

If another statute requires an officer, employee, or agent to be bonded, this subsection does not require an additional bond for that officer, employee, or agent.

(c) A local government or public authority may adopt a system of blanket faithful performance bonding as an alternative to individual bonds. If such a system is adopted, statutory requirements of individual bonds, except for elected officials and for finance officers and tax collectors by whatever title known, do not apply to an officer, employee, or agent covered by the blanket bond. However, although an individual bond is required for an elected official, a tax collector, or finance officer, such an officer or elected official may also be included within the coverage of a blanket bond if the blanket bond protects against risks not protected against by the individual bond. (1971, c. 780, s. 1; 1975, c. 514, s. 14; 1987 (Reg. Sess., 1988), c. 975, s. 32; 2005-238, s. 2.)



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA

DALE R. FOLWELL, CPA

*Dale R. Folwell, CPA*

# Finance Officer

---

## Finance Officer is responsible for:

1. Accounting system;
2. Disbursement of all funds; and
3. Preparing financial reports.



**NORTH CAROLINA**  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Finance Officer

---

- 4. Managing receipt and deposits of all revenues and monies;
- 5. Managing debt;
- 6. Supervising investments; and
- 7. Attending training that may be required by the LGC under NCGS 159.



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

- Governing boards should require monthly financial reports.
- Budget to actual for significant funds, including the General Fund and utility funds.
- Compare to prior year's spending if available.
- Summary level reports are preferred, at the functional or department level.



**NORTH CAROLINA**  
DEPARTMENT OF STATE TREASURER

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*



- Explanations for unusual transactions or amounts that are over/under performing against the budget.
- LGC staff have sample templates.
- **Governing boards should always know the financial state of government.**
- Ask questions and follow up with the Finance Officer until you understand.





# Monthly Financial Reports

---

- Unassigned funds are also known as unrestricted funds.
- There are no restrictions on these funds.
- Need to have adequate reserves to address emergency needs.



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Resources

---

LGC Staff (919)-814-4300

[LGC Website](#)

<https://www.sog.unc.edu>

[www.ncilm.org](http://www.ncilm.org)

[www.ncacc.org](http://www.ncacc.org)

<https://www.gfoa.org/best-practices--resources>



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

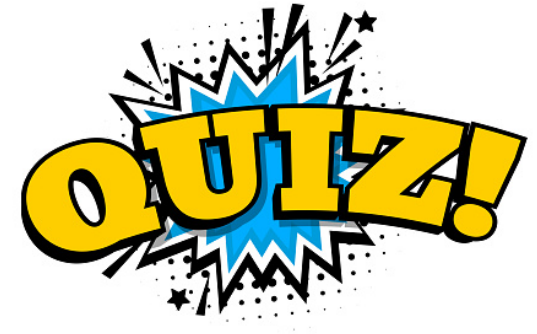
State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

*Dale R. Folwell, CPA*

## Module 3

1. What is the least amount the LGBFCA requires the finance officer to be bonded for?
2. Who is responsible for preparing financial reports and supervising investments for the unit?
3. Who should always know the financial state of the government?



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER



*Dale R. Folwell, CPA*  
STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

---

STATE AND LOCAL GOVERNMENT FINANCE DIVISION

# Module 4: Preaudits & Disbursements

# Preaudit and Disbursements

---

- NCGS 159-28 requires the Finance Officer to preaudit obligations to make sure they are budgeted BEFORE any commitment is made.
- The preaudit ensures that no obligation is incurred without being budgeted and unless funds are available.
- Specific language must be included on agreements, such as purchase orders or contracts, indicating that the document has been preaudited as required by statute.

(a1) Preaudit Requirement. – If an obligation is reduced to a written contract or written agreement requiring the payment of money, or is evidenced by a written purchase order for supplies and materials, the written contract, agreement, or purchase order shall include on its face a certificate stating that the instrument has been preaudited to assure compliance with subsection (a) of this section. The certificate, which shall be signed by the finance officer, or any deputy finance officer approved for this purpose by the governing board, shall take substantially the following form:

"This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act.

(Signature of finance officer)."

(a2) Failure to Preaudit. – An obligation incurred in violation of subsection (a) or (a1) of this section is invalid and may not be enforced. The finance officer shall establish procedures to assure compliance with this section, in accordance with any rules adopted by the Local Government Commission.



# Preaudit and Disbursements

---

- If a unit fails to perform the preaudit process the contract or purchase order is void.
- Finance officer can be held personally liable for payments made against a void agreement.
- Before an obligation is made the Finance Officer must guarantee there are sufficient funds in the budget and in the bank.



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

*Dale R. Folwell, CPA*



# Preaudit and Disbursements

---

- Governing boards must ensure this process takes place.
- Support the Finance Officer when they must tell department heads that goods or services that are not budgeted cannot be purchased.
- Preaudit process will help the local government from overspending its budget



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Preaudit and Disbursements

---

Governing boards must create a culture where the preaudit process is consistently performed.



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Resources

---

LGC Staff (919)-814-4300

[LGC Website](#)

<https://www.sog.unc.edu>

[www.ncilm.org](http://www.ncilm.org)

[www.ncacc.org](http://www.ncacc.org)

<https://www.gfoa.org/best-practices--resources>



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

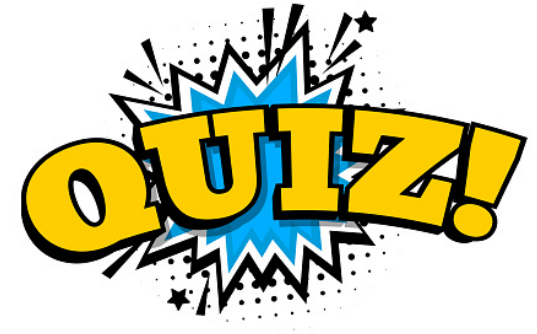
State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

*Dale R. Folwell, CPA*

## Module 4

1. When does NCGS 159-28 requires the Finance Officer to preaudit obligations?
2. What happens to a contract or purchase order if a unit fails to perform the preaudit?
3. What will the preaudit process help the local government from doing?



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER



*Dale R. Folwell, CPA*  
STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

---

STATE AND LOCAL GOVERNMENT FINANCE DIVISION

# Module 5: Annual Audit Process

# Annual Audit Process

---

- LGBFCA requires each local government and public authority to have an audit annually by an independent certified public accountant.
- The auditor performs various audit procedures to examine the unit's accounts.



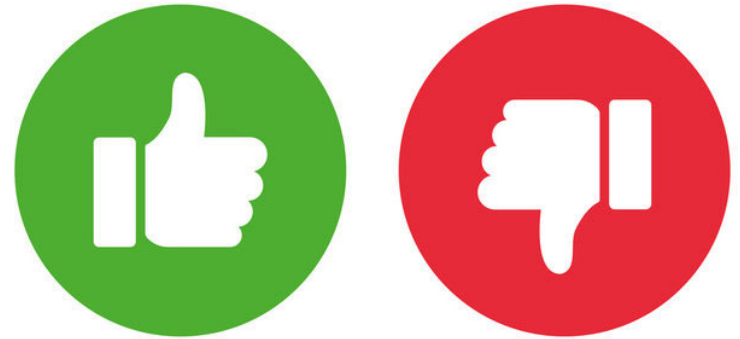


# Annual Audit Process

---

Auditor will give an opinion on whether the financial reports are presented in accordance with generally accepted accounting standards.

1. Unmodified (clean)
2. Modified (issues)



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Annual Audit Process

---

## Unmodified opinion is not:

1. Everything is 100% correct
2. A guarantee there has been no fraud
3. Statement that the unit did a good job with public funds



# Annual Audit Process

---

- Report on internal controls may include:
  1. Material weaknesses
  2. Significant deficiencies
- Statutory or compliance violations may be disclosed in the notes to the financial statements.



# Annual Audit Process

---

- Governing board is responsible for selecting and entering into a contract with a qualified auditor
- The LGC must approve the contract prior to any work starting.
- It is a best practice to issue a Request for Proposal (RFP) periodically for an auditor. Consider this practice every 3-5 years. See our resources [here](#).



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Annual Audit Process

---

- Annual audit for June 30 year end is due to the LGC by October 31<sup>st</sup>.
- The governing board should set expectations that audit will be on time.
- Governing board may ask for routine updates from staff about the audit process if timeliness is a concern.



# Annual Audit Process

---

- Beginning with the 2021 fiscal year, auditors must present the findings of the audit to the governing board at a public meeting.
- Governing Boards should feel free to ask questions.
- Governing boards must understand the information being presented at a high level.





# Auditor's Presentation

---

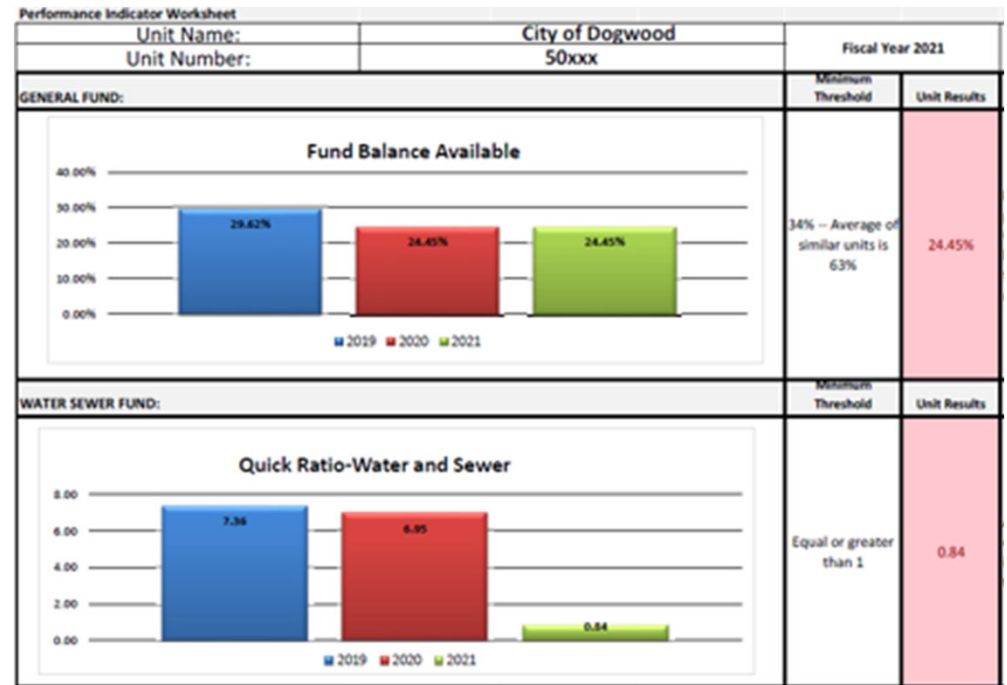
Within 45 days from sending report to LGC, the auditor's presentation to Board should include:

- Description of findings, including material weaknesses and significant deficiencies or statutory violations;
- Status of the prior year audit findings;
- Values of Financial Performance Indicators (FPICS – calculated from the amounts reported in the financial statements); and
- Notification if the board needs to develop a “Response to the Auditor's Findings, Recommendations, and Fiscal Matters”.



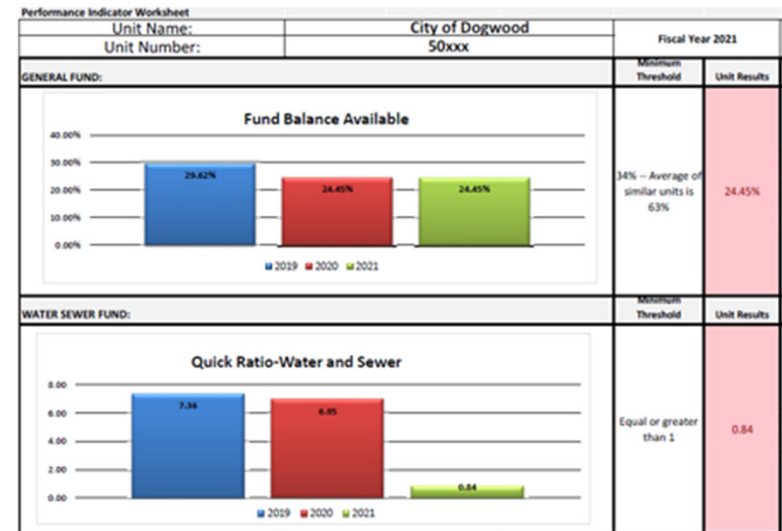
# Financial Performance Indicators

- LGC developed a list of Financial Performance Indicators and then defined “healthy” versus “concern” levels.
- The auditor is required to report these indicators to the governing board at the time the audit is presented.



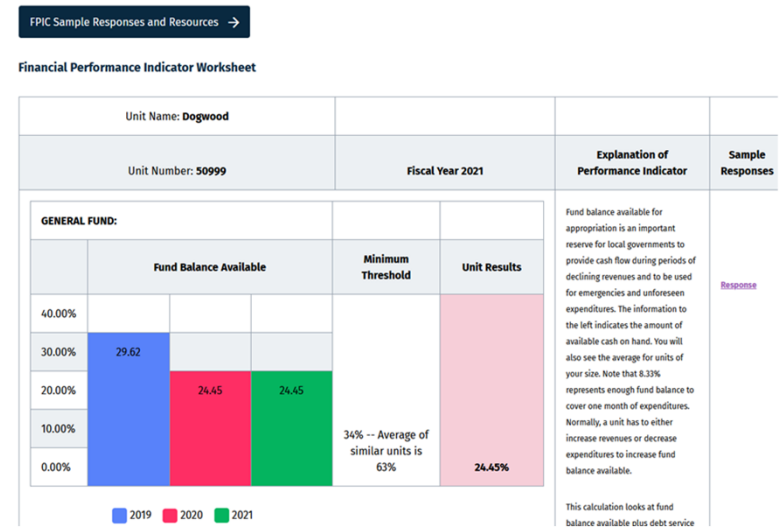
# Financial Performance Indicators of Concern

- A Financial Performance Indicator of Concern that is **red** is outside the thresholds set by the LGC.
- All red performance indicators require the government to submit a response to the LGC regarding the outcome of their audit and planned actions.



# Financial Performance Indicators of Concern

- LGC developed samples of FPIC responses that finance officers can use to draft responses.
- Instructions and sample response documents are posted on our website at 2021 Audit Review Process
- Responses are due to LGC 60 days after the audit is presented to the governing board or before a unit is included on the LGC agenda for debt approval.



# Resources

---

LGC Staff (919)-814-4300

[LGC Website](#)

<https://www.sog.unc.edu>

[www.ncilm.org](http://www.ncilm.org)

[www.ncacc.org](http://www.ncacc.org)

<https://www.gfoa.org/best-practices--resources>



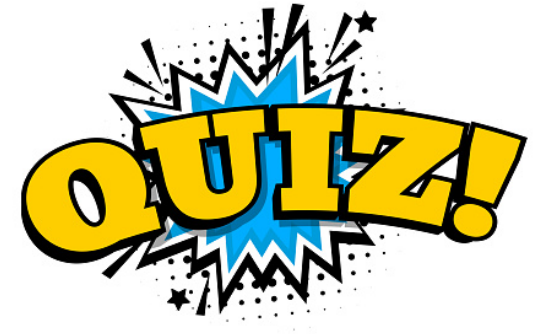
NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

## Module 5

1. How often does the LGBFCA require each local government to have an audit?
2. Who is responsible for selecting and entering into a contract with a qualified auditor?
3. Does the auditor have to present the findings of the audit to the governing board at a public meeting?





NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER



*Dale R. Folwell, CPA*  
STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

---

STATE AND LOCAL GOVERNMENT FINANCE DIVISION

# Module 6: Establishing a Debt Policy

# Establishing a Debt Policy

---

- Debt is a tool that can be used to leverage available resources
- A mixture of debt and current resources should be used to finance projects



# Establishing a Debt Policy

---

- An unreasonable or heavy debt burden will limit future opportunities that a local government can take advantage of.
- A heavy debt burden may be evidenced by a ratio of General Fund Debt Service to General Fund Total Expenditures exceeding 15% or exceeding that of similar units.



# Establishing a Debt Policy

---

- Debt service must be included in the budget.
- LGC notifies local governments of debt service obligations for the upcoming fiscal year.
- Governing board should establish a debt management policy.
- A debt policy will help the government manage its finances and meet obligations.



# Establishing a Debt Policy

---

**A well written debt policy should include the following**

1. Uses of debt (When should debt be used?)
2. Types of debt permitted (What types of debt should be used in different situations? )



**NORTH CAROLINA**  
DEPARTMENT OF STATE TREASURER

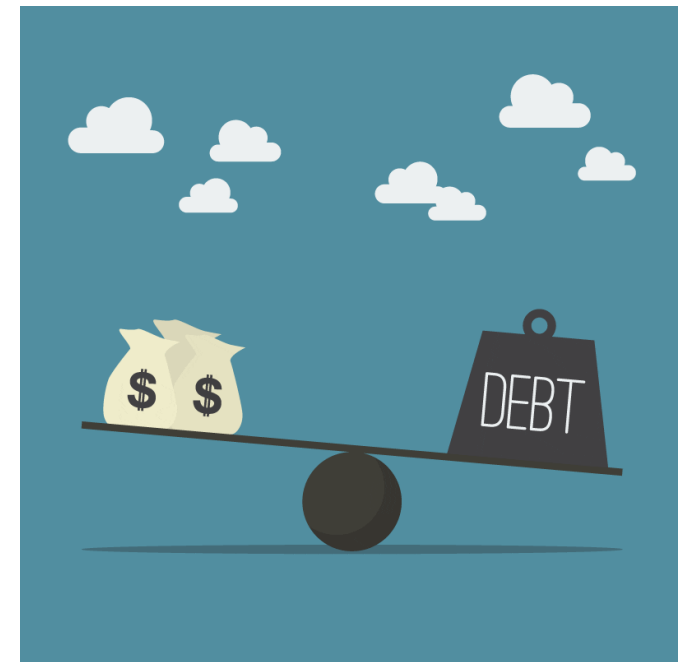
State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Establishing a Debt Policy

---

- 3. Debt limitation (How much debt?)
- 4. Debt repayment (When should debt be paid off and payments structured over time?)



# Resources

---

LGC Staff (919)-814-4300

[LGC Website](#)

<https://www.sog.unc.edu>

[www.ncilm.org](http://www.ncilm.org)

[www.ncacc.org](http://www.ncacc.org)

<https://www.gfoa.org/best-practices--resources>



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

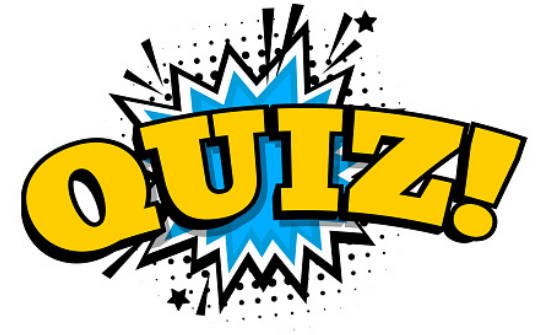
STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

*Dale R. Folwell, CPA*



## Module 6

1. What is a tool that can be used to leverage available resources?
2. Does debt service have to be included in the budget?
3. What is one thing a good debt policy should include?



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER



*Dale R. Folwell, CPA*  
STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

---

STATE AND LOCAL GOVERNMENT FINANCE DIVISION

# Module 7: Ethics and Conflicts of Interest

# Ethics & Conflicts of Interest

---

- Elected officials set a critical “tone at the top” by considering the appearance as well as the actual circumstances surrounding their actions.
- NC law requires all governing boards to adopt a policy containing a code of ethics and receive ethics training within 12 months of being elected or reelected to office.

## **§ 160A-86. Local governing boards' code of ethics.**

(a) Governing boards of cities, counties, local boards of education, unified governments, sanitary districts, and consolidated city-counties shall adopt a resolution or policy containing a code of ethics to guide actions by the governing board members in the performance of the member's official duties as a member of that governing board.

(b) The resolution or policy required by subsection (a) of this section shall address at least all of the following:

- (1) The need to obey all applicable laws regarding official actions taken as a board member.
- (2) The need to uphold the integrity and independence of the board member's office.
- (3) The need to avoid impropriety in the exercise of the board member's official duties.
- (4) The need to faithfully perform the duties of the office.
- (5) The need to conduct the affairs of the governing board in an open and public manner, including complying with all applicable laws governing open meetings and public records. (2009-403, s. 1.)

## **§ 160A-87. Ethics education program required.**

(a) All members of governing boards of cities, counties, local boards of education, unified governments, sanitary districts, and consolidated city-counties shall receive a minimum of two clock hours of ethics education within 12 months after initial election or appointment to the office and again within 12 months after each subsequent election or appointment to the office.

(b) The ethics education shall cover laws and principles that govern conflicts of interest and ethical standards of conduct at the local government level.

(c) The ethics education may be provided by the North Carolina League of Municipalities, North Carolina Association of County Commissioners, North Carolina School Boards Association, the School of Government at the University of North Carolina at Chapel Hill, or other qualified sources at the choice of the governing board.

(d) The clerk to the governing board shall maintain a record verifying receipt of the ethics education by each member of the governing board. (2009-403, s. 1.)



**NORTH CAROLINA**  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA

DALE R. FOLWELL, CPA

*Dale R. Folwell, CPA*

# Ethics

---

- **Honesty & Integrity** -board members should foster public trust in the board among the community. Act transparently.
- **Impartiality & Respect** -all issues and all citizens should be handled with fairness, impartiality and respect.



# Ethics

---

- **Fair & Equitable Treatment** - board members should never act in a way that would result in preferential treatment.
- **Effort** - board members have an obligation to faithfully perform duties.
- **Accountability** - board members should accept responsibility for their personal code of ethics.



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*



# Conflicts of Interest

---

- A “conflict of interest” is a situation in which a person may be getting or is perceived to be getting a personal benefit from actions or decisions they make in an official capacity.
- Avoid accepting gifts or favors that the public may perceive as influencing the awarding of a public contract.
- Avoid the use of confidential information for personal gain.



# Resources

---

LGC Staff (919)-814-4300

[LGC Website](#)

<https://www.sog.unc.edu>

[www.ncilm.org](http://www.ncilm.org)

[www.ncacc.org](http://www.ncacc.org)

<https://www.gfoa.org/best-practices--resources>



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

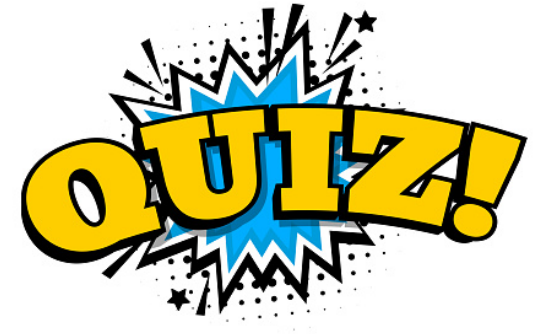
STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

*Dale R. Folwell, CPA*



## Module 7

1. NC law requires all elected officials to receive ethics training within how many months of being elected or reelected?
2. What is a situation called in which a person may be getting a personal benefit from actions or decisions they make in an official capacity?
3. What kind of information should be avoided for personal gain?



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER



*Dale R. Folwell, CPA*  
STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

---

STATE AND LOCAL GOVERNMENT FINANCE DIVISION

# Module 8: Importance of Internal Controls

# Importance of Internal Controls

---

- “Stewardship” is the careful and responsible management of something that is entrusted into your care.
- Governing officials have a stewardship responsibility to manage public money in a careful, responsible way.
- It is the responsibility of the governing board to make sure internal controls are in place and working.



# Importance of Internal Controls

---

- Internal control policies and procedures help protect assets and ensure accountability.
- The LGC staff, auditor, or finance staff can assist with setting up strong internal controls.
- Memo for Small Governments (Memo 2015-15) on LGC website [here](#) .

Memorandum #2015-15 (Revision of Memo #568 and #569)

**TO:** Finance Officers of Small North Carolina Governments and Public Authorities

**FROM:** Sharon Edmundson, Director, Fiscal Management Section

**SUBJECT:** Internal Controls for a Small Unit of Government

**DATE:** April 30, 2015

Included in this memo is information that will help smaller units strengthen their internal controls. Elected officials and governmental employees are accountable for resources entrusted to them and for ensuring that programs and services are administered effectively and efficiently. A significant component in fulfilling this responsibility is ensuring that an adequate system of internal control exists within each governmental unit. Whether a unit of government has strong or weak internal controls directly affects the reliability of the accounting records and financial statements. Strong internal controls aid in the prevention of fraud and the detection of accidental errors in the accounting process. Internal controls provide greater assurance of the accuracy of financial reporting, compliance with laws and regulations, and effective and efficient operations.

One method that a unit can use to enhance its internal control is through proper segregation of duties. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same action. Without proper segregation of duties, it is impossible to have an effective system of internal control. There are two main advantages to implementing segregation of duties: the first is that fraud is more difficult to perpetrate when proper segregation of duties are in place because it would require collusion of two or more individuals; second, if duties are adequately separated, innocent errors are more likely to be found and corrected.

Extensive separation of duties is not always possible for smaller units of local government. In such cases, the duties should be separated as much as possible and alternative controls used to compensate for lack of separation. Members of the governing board must be called upon to provide some of these controls; they are generally very familiar with operations and likely to spot unfamiliar vendors and transactions. Also, due to knowledge of unit and community, they will be able to determine if explanations for unusual transactions are valid.

This memo is addressed specifically to the smaller units where internal controls may not be as effective due to the limited number of personnel. For a more comprehensive discussion of internal controls, please refer to the [internal controls section of the policy manual](#).



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA

DALE R. FOLWELL, CPA

*Dale R. Folwell, CPA*

# Importance of Internal Controls

---

## Three objectives for internal controls

1. Reliability of financial reporting
2. Efficient and effective operations
3. Compliance with applicable laws and regulations



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA  
*Dale R. Folwell, CPA*

# Importance of Internal Controls

---

## Warning signs of internal control problems

1. Missing or delayed financial audits.
2. Delayed or inaccurate bank and other account reconciliations.



# Importance of Internal Controls

---

- 3. The board is not receiving accurate monthly financial statements
- 4. Expenditures exceed authorized budget on a regular basis
- 5. Sensitive documents are easily accessible





# Importance of Internal Controls

---

## Boards should implement strong written policies for

1. Credit cards and procurement cards (p-cards)
2. Petty cash and reconciliations
3. Cash receipts and deposits



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

*Dale R. Folwell, CPA*

# Resources

---

LGC Staff (919)-814-4300

[LGC Website](#)

<https://www.sog.unc.edu>

[www.ncilm.org](http://www.ncilm.org)

[www.ncacc.org](http://www.ncacc.org)

<https://www.gfoa.org/best-practices--resources>



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

*Dale R. Folwell, CPA*

## Module 8

1. What is the careful and responsible management of something that is entrusted into your care?
2. What are policies and procedures that help protect assets and ensure accountability?
3. What is one warning signs of internal control problems?

