

NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER



*Dale R. Folwell, CPA*  
STATE TREASURER OF NORTH CAROLINA  
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STATE AND LOCAL GOVERNMENT FINANCE DIVISION

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

# Importance of Responsibilities of Board Members

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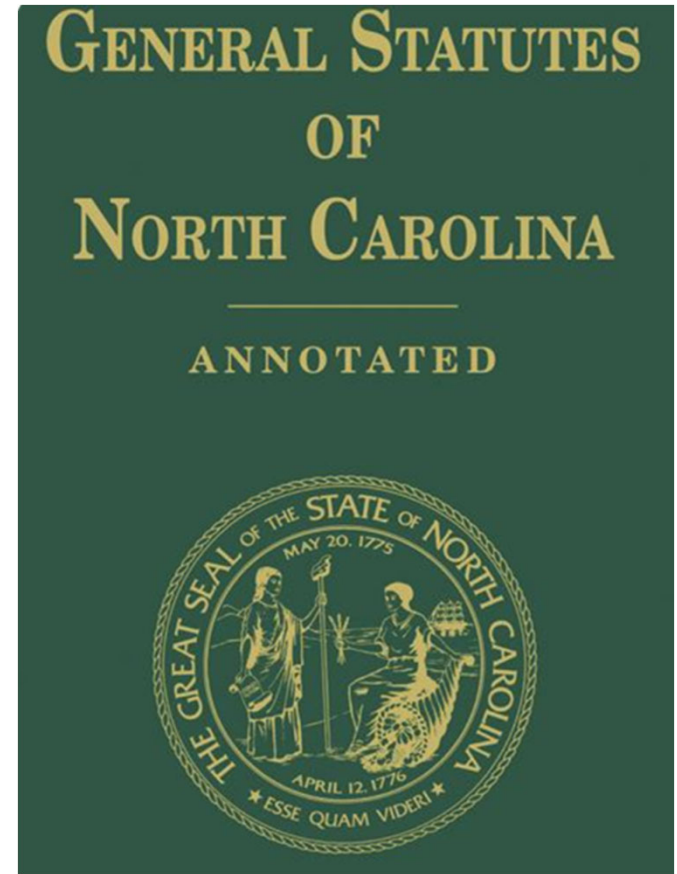
- Governing board has a fiduciary responsibility to the Unit's taxpayers and residents to manage the funds and the Unit appropriately
- Governing board is ultimately responsible for the finances and fiscal status of the Unit



# Importance of Responsibilities of Board Members

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



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# Importance of Responsibilities of Board Members

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- 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 Short title; definitions; local acts superseded.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

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**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.



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# Local Government Commission

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- Established in 1931
- Staffed by Department of State Treasurer



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# Local Government Commission

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



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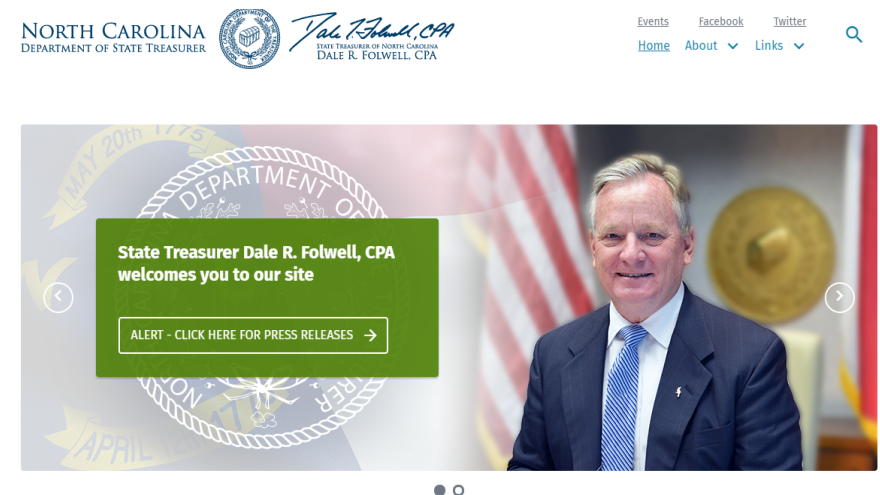
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# Local Government Commission

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- 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

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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

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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

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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

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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>



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# 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?

