

NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER



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

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STATE AND LOCAL GOVERNMENT FINANCE DIVISION

# Module 2: Budgets

# Budget Overview

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- 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 Bluedevil

Clerk: Robin Wolfpack



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# Budget Overview

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- 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.

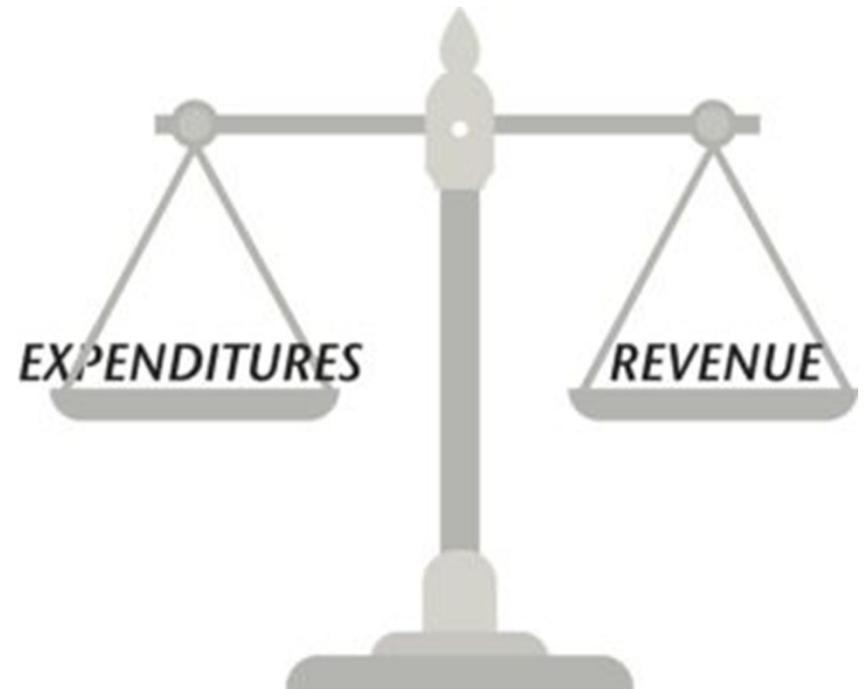
#### Part 1. Budgets.



# Budget Overview

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- 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

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



# Budget Officer

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- 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.



# Budget Officer

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## The Budget Officer has two main duties

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



# Budget Preparation and Calendar

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





# Budget Preparation and Calendar

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- 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.



# Budget Preparation and Calendar

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



# Budget Preparation and Calendar

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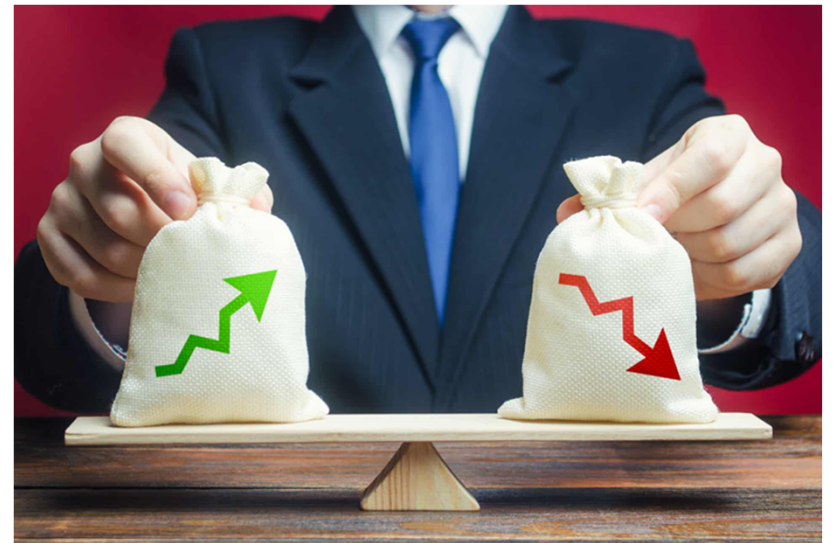
- Should not transfer monies from or to an enterprise fund as a subsidy. Each fund should be self-supporting.
- It is proper to post operating expenses across several funds if all of the funds are benefitting from the expense.
- Use a reasonable allocation basis, such as square footage.



# Budget Preparation and Calendar

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



# Budget Preparation and Calendar

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- “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

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- 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.



# Understanding Fund Balance

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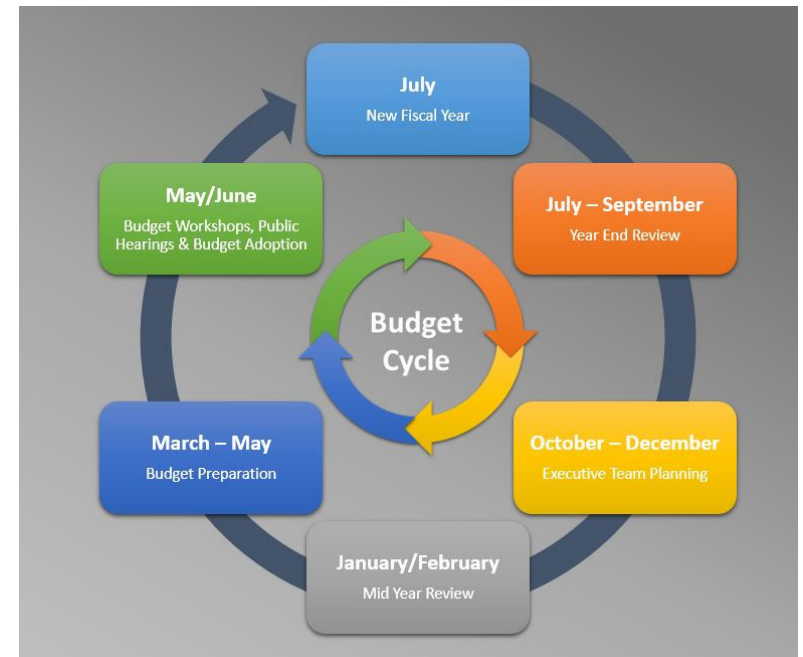
- Cash in the bank does not mean the board has that money to spend.
- The myth of 8%.
- Annual Cash and Fund Balance Available memos can be found [here](#).



# Budget Preparation and Calendar

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

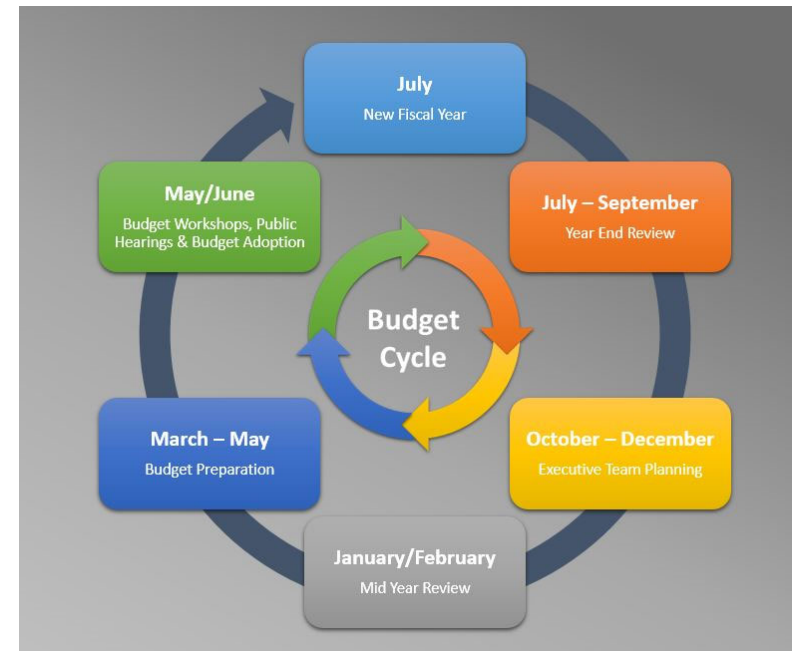




# Budget Preparation and Calendar

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- 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.



# Budget Ordinance

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



# Budget Ordinance

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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



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# Budget Ordinance

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

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

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City of Dogwood Mayor

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



# 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

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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	
Commission 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
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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.



# Budget Adoption Process

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- 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 Bluedevil

Clerk: Robin Wolfpack



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# Budget Adoption Process

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- 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

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



# Budget Adoption Process

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- 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

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- 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

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# Interim Budget

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- 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



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# Interim Budget

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- 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.

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# Budget Preparation and Calendar

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- 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:

<b>PROJECT ORDINANCE APPROPRIATIONS</b>	
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:

<b>PROJECT ORDINANCE REVENUE</b>	
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.



# Budget Preparation and Calendar

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## 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.

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# Budget Amendments

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- 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

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



# Budget Amendments

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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



# 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.



# Budget Amendments

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- 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%.

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

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

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



# 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--resources>



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## 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?

