



*Dale R. Folwell, CPA*

STATE AND LOCAL GOVERNMENT FINANCE DIVISION  
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Financial Performance Indicator of Concern (FPIC) Summary (Click on a link in the main table below to take you to the sample responses for an FPIC)		
General Fund	Utilities: Water and Sewer, Electric	General Performance Indicators
<a href="#">Fund Balance Available as a % of Expenditures (2021-2023)</a>	<a href="#">Electric - Quick Ratio (2021-2023)</a>	<a href="#">Date Audit Submitted/Audit Submitted Timely (2021-2023)</a>
<a href="#">Appropriated Fund Balance and Negative Change in Fund Balance (2022-2023)</a>	<a href="#">Water and Sewer - Quick Ratio (2021-2023)</a>	<a href="#">Budgeted Ad Valorem Taxes With More Than 3% Uncollected (2022-2023)</a>
<a href="#">Fund Deficit (2022-2023)</a>	<a href="#">Electric Fund – Net Operating Income (Loss) as Adjusted (2021-2023)</a>	<a href="#">Decrease in Property Value (2021-2023)</a>
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	<a href="#">Electric Fund – Unrestricted Cash as % of Expenses as Adjusted (2021-2023)</a>	<a href="#">Finance Officer – board appointed, (2022-23)</a>
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	<a href="#">Water and Sewer Fund – Transfers in Greater Than 3% of Expenses as Defined (2021-2023)</a>	<a href="#">Debt service payments (2021-23)</a>
	<a href="#">Water and Sewer Fund – Capital Asset Condition Ratio (2023)</a>	<a href="#">Statutory Violations, (separate 2021) Material Weaknesses, Statutory Violations, and Significant Findings (2022-2023)</a>
		<a href="#">Additional Issues – Described (2021-2023)</a>
<b>Past FPICs-Note:</b> These FPICs are no longer used. If you need to respond to a past FPIC and need assistance, please contact staff at 919-814-4300 or LGCFPIC@nctreasurer.com		
<a href="#">Landfills (2021)</a>	<a href="#">Unit assistance list (2021-2022)</a>	<a href="#">DEQ mandate (2021)</a>
	<a href="#">Pre-audit process (2021)</a>	



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## General Fund: Fund Balance Available

Fund Balance Available as a % of Expenditures				
FPIC in DIW	Explanation of Performance Indicator	Minimum Threshold		
Fund Balance Available as a % of Expenditures  Applicable to FY: 2021-23	Fund Balance Available for appropriation is an important reserve for local governments to provide cash flow during periods of declining revenues and to be used for emergencies and unforeseen expenditures. The information in the table indicates the amount of available cash on hand. You will also see the average for units of your size. <b>Note that 8.33% represents enough fund balance to cover only one month of expenditures.</b>  Normally, a unit must either increase revenues or decrease expenditures to increase Fund Balance Available.	<b>Municipalities</b>		
		<b>Minimum Threshold</b>		
		<b>General Fund Expenditures:</b>	Median FBA as % of Expenditures without Powell Bill	Minimum Thresholds FBA as % of Expenditures
		Below \$100,000	260%	100%
		\$100,000 to \$999,999	132%	71%
		\$1,000,000 to \$9,999,999	63%	34%
		Above \$10,000,000	46%	25%
		<b>Counties</b>		
		<b>Minimum Threshold</b>		
		<b>General Fund Expenditures:</b>	Median FBA as % of Expenditures without Powell Bill	Minimum Thresholds FBA as % of Expenditures
		Below \$1,000,000,000	39%	20%
		\$100,000,000 and above	32%	16%
				Approximate # of Months FBA using Annualized Expenditures
				1 year
				8 months
				4 months
				3 months
				3 months
				2 months

### More Information: General Fund – Fund Balance Available as a % of Expenditures

Units of government are grouped by General Fund expenditures for purposes of evaluating the minimum amount of fund balance a unit needs to operate. Activity from Debt Service Funds (if applicable) is included in the calculation because these funds typically originate from the General Fund and are transferred to a Debt Service Fund.

Each grouping category has its own minimum threshold. If you are in the lower quartile, your GF FBA% might be considered a performance indicator of concern and you might be asked to communicate to us.



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This calculation takes fund balance available plus debt service fund balance (if applicable) less Powell Bill restricted fund balance and divides by the total of total expenditures, plus transfers out less bond proceeds and less amount expended for Powell Bill Expenditures.

**Sample responses to a low Fund Balance Available as a % of Expenditures:**

Note: More than one of these paragraphs may be used, depending on the actions the government chooses to take.

- To increase fund balance available for appropriation in the General Fund by exercising greater control over expenditures, the unit is committed to {maintaining expenditures at a level that will not exceed actual expenditures for the prior fiscal year ended {June 30, 202x}} {reducing {specific} expenditures by \$xx,xxx from the prior year's actual expenditures for a total reduction in expenditures of \$xxx,xxx}. Additionally, the unit {will emphasize the importance of an effective pre-audit process and provide additional training to staff on the statutory pre-audit requirement} {will review budget to actual reports for all funds monthly at board meetings} {will focus attention on the collection of all budgeted revenue}. The unit estimates the focus on control of expenditures and collection of revenue will result in {additional revenues of \$XXX} and/or {reduced expenditures of \$XXX} for the fiscal year ending June 30, 202x.
- To increase fund balance available for appropriation in the General Fund by controlling expenditures, the unit's original budget for 202x {budget for 202x as amended on {date} by governing board Resolution XX} reduces expected revenues and budgeted expenditures by \$x,xxx from the prior year's actual expenditures of \$x,xxx for the fiscal year ended June 30, 202x.
- To increase fund balance available for appropriation in the General Fund, the unit increased {is committed to increasing next year} the property tax collection rate from the prior {current} level of xx.xx% which is expected to generate \$xxx,xxx of additional tax revenue. The unit expects to generate additional property tax revenue by {contracting with County to collect property taxes} {providing additional support and training to property tax staff} {contracting with the unit's attorney to assist in collecting delinquent taxes}. The unit will endeavor to hold expenditures at the current level. It is estimated that with the combination of the increased tax revenue and stable expenditures, the amount of revenues over expenditures in the unit's General Fund will increase by approximately \$xx,xxx this {next} year.
- To increase fund balance available for appropriation in the General Fund, the unit increased {is committed to increasing next year} the property tax rate to \$0.xx/\$100 from the prior {current} rate of \$0.xx/\$100 which is expected to generate \$xxx,xxx of additional tax revenue. The unit will commit to holding expenditures at the current level. It is estimated that with the combination of the increased tax revenue and stable expenditures, the amount of revenues over expenditures will increase by approximately \$xx,xxx this {next} year.
- To increase fund balance available for appropriation in the General Fund, the unit's governing board adopted a fund balance policy which requires {describe significant provisions of policy}. It is estimated that the fund balance available for appropriation will improve to the level established in this policy this {by next} fiscal year end. The governing board is committed to compliance with the provisions of the fund balance policy. A copy of the policy we adopted is enclosed.
- The fund balance available for appropriation in the General Fund has declined to xx% of expenditures because the unit had expended funds in the amount of \$xx,xxx for the {describe expenditure or project}. The unit expects to rebuild the fund balance available by {reimbursement from the (describe debt issuance approved by the LGC on specific date); {by FEMA reimbursement of project receivables of \$xx,xxx}; or {by the reduction of future



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expenditures over several years by \$xx,xxx the amount of project expenditures}. The unit estimates the fund balance available for appropriation to increase to approximately \$xxx,xxx by June 30, 202x.

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## General Fund: Appropriated Fund Balance and Negative Change in Fund Balance

General Fund – Appropriated Fund Balance and Negative Change in Fund Balance		
FPIC in DIW	Explanation of Performance Indicator	Minimum Threshold
General Fund – Appropriated Fund Balance and Negative Change in Fund Balance	If the General Fund has more expenditures than revenues because of operational issues and fund balance was appropriated to cover the loss, the continuation of this practice could result in deterioration of a unit's fund balance available.	Positive Change in Fund Balance

### Sample response to Appropriated Fund Balance and Negative Change in Fund Balance:

Some of the actions the government chooses to take:

- To increase fund balance available for appropriation in the General Fund by exercising greater control over expenditures, the unit is committed to maintaining expenditures at a level that will not exceed actual expenditures for {describe}.

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## General Fund: Fund Deficit

General Fund – Fund Deficit		
FPIC in DIW	Explanation of Performance Indicator	Minimum Threshold
General Fund – Fund Deficit	If the General Fund has a fund deficit which means that the unit's revenues and other receipts are inadequate to support its operations. G.S. 159-13(b)(2) requires that the board fund the full amount of a prior fiscal year's deficit in the current fiscal year's budget. Therefore, this deficit should have been funded immediately after the June 30, fiscal year-end. The law requires such action be taken to stop any further deterioration of the overall financial condition of the fund.	Positive Fund Balance

**Sample response to Fund Deficit: General Fund – Fund Deficit:** Please indicate if the deficit was funded in the budget and describe the actions the unit has taken or plans to take to bring the general fund balance up to an acceptable level.

Some of the actions the government chooses to take.

- To increase fund balance available for appropriation in the General Fund by exercising greater control over expenditures, the unit is committed to {maintaining expenditures at a level that will not exceed actual expenditures for}{describe}.

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## Water, Sewer and Electric Funds: Quick Ratio

<b>Water, Sewer and Electric Funds – Quick Ratio</b>		
<b>FPIC in DIW</b>	<b>Explanation of Performance Indicator</b>	<b>Minimum Threshold</b>
Electric, Water, and Sewer Funds – Quick Ratio	The Quick Ratio is calculated by dividing unrestricted cash plus accounts and other receivables by the sum of accounts payable, accrued liabilities and the current portion of long-term debt. More specifically, it is total current assets excluding any restricted current assets, inventories, prepayments, and interfund receivables due after twelve months by the sum of total current liabilities including the current portion of long-term debt excluding bond anticipation notes payable, current liabilities payable from restricted assets, interfund payables due after twelve months, and the current portion of compensated absences payable, pension liabilities, and OPEB liabilities.	1.00

### Sample responses to a Quick Ratio below 1.00 in a Water, a Sewer or an Electric Fund.

Note: More than one of these paragraphs may apply depending on the actions taken.

- To improve the Quick Ratio in the {Name} Fund, the unit increased {is committed to increasing next year} {the amounts charged for {specify} services by x.x% which should generate \$xxx,xxx in additional revenue} {will hire consulting engineers to conduct a rate study to make recommendations regarding the schedule of service charges}. The unit will commit to maintaining operating expenses at the current level. It is estimated that with the combination of the increased revenue and stable expenses, the fund's Quick Ratio will improve over time.
- To improve the Quick Ratio in the {Name} Fund by improving cash collections, the unit has {describe the steps taken to increase the cash collections from providing utility services, including enhanced collection policies}.
- To improve the Quick Ratio in the {Name} Fund, the unit will discontinue the transfer of assets to the {Name} Fund. The {Receiving} Fund will {increase rates or revenues} {decrease expenditures or expenses} so that its {Fund Balance or Quick Ratio} will not be adversely affected.
- To improve the Quick Ratio in the {Name} Fund, the unit {is investigating or will investigate} regional consolidation with the nearby system} {{will contact or has contacted} ----- for additional assistance with utility management}.
- The Quick Ratio has declined to xx% because the unit had expended funds in the amount of \$xxx,xxx for the {describe capital project} which is {in process or completed}. The unit expects to improve current assets over time through a combination of {increased revenue from rate increases of XX% and/or fees for additional services} {stable expenses because of more efficient operations} {reimbursing the amount expended on the capital project with a financing that was approved by the LGC in {Month Year}}.





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## Water, Sewer and Electric Funds: Net Operating Income (Loss) as Adjusted

Water, Sewer and Electric Funds – Net Operating Income (Loss) as Adjusted		
FPIC in DIW	Explanation of Performance Indicator	Minimum Threshold
Electric, Water, and Sewer Fund – Net Operating Income (Loss) as Adjusted (2021-2023)	This calculation subtracts operating expenses from operating revenues. Depreciation expense is not included in the calculation, but debt principal and interest payments are included. A negative balance indicates that your rates are not covering your operating expenses and debt service payments.	Greater than \$0

### Sample responses to Water, Sewer and Electric Fund – Net Operating Income (Loss) as Adjusted:

Sample responses to Operating Net Income (Loss) excluding Depreciation plus Debt Service when negative follow. Note that Debt Service includes both scheduled principal and interest payments.

- To decrease the amount of operating loss excluding depreciation plus debt service to a positive value in the {Name} Fund, the unit increased (is committed to increasing next year) the amounts charged for {specify} services by x.x% which should generate \$xxx,xxx in additional revenue. The unit will also commit to holding operating expenses at the current level. We estimate that with the combination of the increased revenue and stable expenses, the operating loss will decrease by approximately \$xxx,xxx.
- To increase the amount of operating net loss excluding depreciation plus debt service principal to a positive value in the {Name} Fund, the unit decreased (is committed to decreasing next year) the amounts paid for {specify expenses} by x.x% which should generate \$xxx,xxx in additional operating net income. The unit will also commit to holding operating revenues at the current level. We estimate that with the combination of the stable revenue and decreased expenses, this operating loss will decline by approximately \$xxx,xxx. {When Sample, units are encouraged to both increase revenue and decrease expenses for the most impact.}

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## Water, Sewer and Electric Funds: Unrestricted Cash as % of Expenses as Adjusted

Water, Sewer and Electric Funds – Unrestricted Cash as % of Expenses as Adjusted		
FPIC in DIW	Explanation of Performance Indicator	Minimum Threshold
Electric, Water, Sewer Fund – Unrestricted Cash as % of Expenses as Adjusted (2021-2023)	This indicator calculates how many months' worth of expenses (including debt principal but not depreciation) a unit can pay based on the amount of unrestricted cash at year-end. The typical billing cycle is one month (8.33%) and one extra month usually gives a local government enough cash to handle unusual monthly expenses (16.66%). <b>This 16% would be the bare minimum necessary to keep the fund from experiencing cash flow issues.</b>	Greater than 16% (two months)

### Sample response to Electric, Water, and Sewer Fund – Unrestricted Cash as % of Expenses as Adjusted:

Sample response to a ratio of Unrestricted Cash divided by Total Expenses excluding depreciation plus debt service is less than 16% or approximately two-month expenses:

- To improve the ratio of unrestricted cash divided by total expenses excluding depreciation plus debt service ("cash to expense ratio"), the unit increased {is committed to increasing next year} the amounts charged for {specify} services by x.x% which should generate \$xxx,xxx in additional revenue. The unit is committed to maintaining operating expenses at the current level. We estimate that with the combination of the increased revenue and stable expenses, unrestricted cash will improve.

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## Water and Sewer Funds: Transfers in Greater Than 3% of Expenses as Defined

Water and Sewer Funds – Transfers in Greater Than 3% of Expenses as Defined (2021-2023)		
FPIC in DIW	Explanation of Performance Indicator	Minimum Threshold
Water and Sewer Fund – Transfers In Greater Than 3% of Expenses as Defined (2021-2023)	The rate structure of the Water and Sewer Fund should support the operating expenses of the fund without operating subsidies or transfers from other funds.	Transfers are less than 3% of expenses as defined.

### Sample Responses to Water and Sewer Transfers Exceeding 3% of Expenses:

Responses should clearly explain the purpose of the transfers-in that are supporting water and sewer operations and are greater than 3% of the total of operating expenses plus non-operating expenses.

Because governmental funds and proprietary funds serve different constituents, each should be self-supporting, and each fund type should not subsidize the other. Additionally, transfers are not used to record transactions where one





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fund reimburses another fund for expenditures or expenses paid on behalf of the other. Memorandum 2014-07 and Memorandum 2022-07 posted on our website will help clarify the accounting treatment for reimbursements between funds.

Sample responses regarding transfers-in that are greater than 3% in support of water and sewer operations might include some of the following:

- The transfer-in from the {name} Fund was required to improve the performance of the {Water or Sewer} Fund until water or sewer revenue increases {expenses decrease}. The unit {increased} {is strongly committed to increasing next year} {the amounts charged for {specify} services by x.x% which should generate \$xxx,xxx in additional revenue} {will hire consulting engineers or a nonprofit such as SERCAP or Rural Water to conduct a rate study to make recommendations regarding the schedule of service charges}. The unit will commit to maintaining operating expenses at the current level. With the combination of increased revenue and stable expenses, we estimate that the fund's financial performance will improve over {the next two years} {or other specific timeframe} and the need for the transfer-in will diminish.
- The annual transfer-in from the {name} Fund is currently required to keep {water or sewer} rates affordable for the {elderly or low income} population served by the utility. This population with an annual income under \$xx,xxx per year represents xx.x% of the customer base. The average utility cost for this population is approximately \$xxx per month and without the subsidy it would be approximately \$xxx per month, a x.x% increase and xx% of low-income household income. The {Water or Sewer} Fund is taking {describe the steps taken to control utility operating costs or otherwise reduce the need for the subsidy}.
- The transfer-in from the {name} Fund is currently required because the {population has declined to x,xxx from xx,xxx, a reduction of x.x% with a corresponding reduction in the system's customer base} {a large plant left town} resulting in excess plant capacity and increased unit costs. This {demographic shift} {demand reduction} has reduced revenue by xx.x%. Rates would need to be increased by xx.x% to generate sufficient revenue to offset this reduction. Such a rate increase would make it more difficult to recruit new businesses and to stem the population decline.
- We recognize that the transfer-out to the {Water or Sewer} Fund reduces the fund balance of the General Fund. The fund balance available for appropriation of the General Fund currently totals \$xx,xxx,xxx, an increase/decrease of x.x% from the prior year. The fund balance available for appropriation represents of xx.x% of expenditures and transfers out. The unit understands that transfers-out to the {Water or Sewer} Fund cannot be allowed to damage the financial health of the General Fund. {A paragraph of this type may be used in conjunction with any of the other explanations as an acknowledgement of an issue or concern.}

The governing board has adopted {will adopt} at the meeting on {date} a resolution whereby the {Water, Sewer, Water and Sewer} Fund agrees to repay the General Fund \$x,xxx,xxx, the amount of the Due to General Fund. The terms of the repayment agreement include {monthly, quarterly or annual} repayments in the amount of \$xx,xxx over x years with interest calculated at x.xx%. {Describe the changes made in the operation of the {Water, Sewer or Water and Sewer} Fund that will reduce the need for financial assistance from the General Fund.} The governing board is committed to operating the fund in such a manner that future support from the General Fund will not be required. A copy of the governing board resolution is attached.

- The governing board has adopted {will adopt} at the meeting on {date} a resolution whereby the General Fund agrees to repay the {Water, Sewer, Water and Sewer, Electric} Fund \$x,xxx,xxx, the amount of the Due to {name} Fund. The terms of the repayment agreement include {monthly, quarterly or annual} repayments in the amount



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of \$xx,xxx over x years with interest calculated at x.xx%. {Describe the changes made in the operation of the General Fund that will reduce the need for financial assistance from the {other} Fund.} The governing board is committed to operating the General Fund in such a manner that future support from another fund will not be required. A copy of the governing board resolution is attached.

In addition to the above suggestions, please refer to the unit's prior year response to the LGC if required to provide one and update the LGC on your corrective action plan.

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## Water and Sewer Fund: Capital Asset Condition Ratio

Water and Sewer Fund: Capital Asset Condition Ratio <i>(new for main FPICS page)</i>		
FPIC in DIW	Explanation of Performance Indicator	Minimum Threshold
Water and Sewer Fund – Capital Asset Condition Ratio (2023)	This capital assets condition ratio formula calculates the remaining useful life. A remaining useful asset value less than 50% may signal the need to replace the assets in the near future.	Remaining useful life of asset greater than or equal to 50%

**Sample Response to Water and Sewer Fund Capital Asset Condition Ratio:** Comments should clearly explain the procedures in place to monitor the condition of and to evaluate the need to replace water and sewer assets.

- Every {three to five} years the unit has the water and sewer system evaluated by a qualified engineer. The most recent evaluation was completed on {date} and the engineer's final report concluded {describe report finding and conclusions}. {Describe the unit's response to the engineer's recommendations including the timeline and expected financing plans.}

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## General Performance Indicator: Date Audit Submitted

Date Audit Submitted/Audit Submitted Timely		
FPIC in DIW	Explanation of Performance Indicator	Target
Date Audit Submitted/Audit Submitted Timely (2021-2023)	As stewards of the public's resources, the governing body is responsible for ensuring that the audited financial statements are available to the public in a timely manner. External groups such as the North Carolina General Assembly, federal and State agencies that provide funding, and other public associations need current financial information about your local government as well.	Submitted within four (4) months for fiscal year end.

**Sample Response to Date Audit Submitted/Audit Submitted Timely:** Sample explanation regarding the late filing of financial statements should include both the reason the current financial statements was delayed and the action taken to assure timely completion of future financial statements:

The unit was unable to provide timely financial information to the audit firm and provide the financial statements by the filing deadline because {description of specific reason for the delay}.

- To prevent recurrence of the late filing of financial statements, the unit will {description of specific actions taken or by the specific timeline for actions that will be taken by the unit to assure the timely filing for future financial statements.}

Some specific examples follow:

- The unit was unable to provide timely financial information to the audit firm and provide the financial statements by the filing deadline because of the difficulty in hiring a qualified individual with appropriate experience necessary to draft financial statements as finance officer. While the current accounting staff can perform routine monthly accounting tasks competently and efficiently, they lack the technical skills, knowledge and experience to prepare annual financial statements.  
  
To prevent recurrence of the late filing of financial statements, the unit has contracted {will contract with} a qualified accountant to provide the following services: {Edit services to reflect actual agreement with accountant} prepare timely monthly financial information for presentation to the governing board that includes condensed financial statements for each major fund as well as budget-to-actual reports for each fund; timely reconciliation of all bank statements to the general ledger each month; timely reconciliation of receivable and payables subsidiary ledgers to the general ledger each month; preparation any necessary adjusting entries for posting by the unit; attend the monthly board meeting when financial information is presented; and provide the necessary assistance to prepare audit financial statements on a timely basis. The most recent monthly financial information and budget-to-actual report is included for your review.
- The unit was unable to provide timely financial information to the audit firm and provide the financial statements by the filing deadline because {of the unexpected resignation of the finance officer on {date} and the



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difficulty in hiring a qualified individual with experience {providing information necessary to draft financial statements} {preparing financial statements} to fill the position after an extensive search.

To prevent recurrence of the late filing of financial statements, the unit will provide additional training to finance officer and accounting staff to improve their technical skills and knowledge and will hire a qualified contract accountant to provide the following services {select from preceding example}. The most recent monthly financial information and budget-to-actual report is included for your review.

- The unit was unable to provide timely financial information to the audit firm and provide the financial statements by the filing deadline because of the computer virus that infected the accounting system and required reentry of {number} months data {and description of any other specific effects of the data loss}. Reentry was required because the backup procedures failed due to {describe condition that caused backup system failure}.

To prevent recurrence of the late filing of financial statements, the unit has provided additional training to accounting staff regarding internal controls and backup procedures.{Describe procedures implemented to

prevent failure of backup processes}. The unit is interviewing candidates to select a qualified consultant to review the adequacy of the unit's revised internal controls and backup procedures.

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## General Performance Indicator: Budgeted Ad Valorem Taxes

Budgeted Ad Valorem Taxes with More Than 3% Uncollected		
FPIC in DIW	Explanation of Performance Indicator	Target
Budgeted Ad Valorem Taxes With More Than 3% Uncollected (2022-2023)	This indicator shows that the local government did not collect 3% (or more) of its budgeted ad valorem taxes. This could be an indicator of negative economic events, inaccurate budgeting, and/or issues with the collection process. Uncollected revenues at the 3% level represent several pennies of the tax rate.	Less than 3%

**Sample Response to Greater than 3% Uncollected Budgeted Ad Valorem Taxes:** Sample explanation regarding budget tax levy was more than 3% uncollected, i.e., the ad valorem tax collected divided by the original budget for ad valorem taxes is equal to or greater than 97%. Consider the total amount of the property tax budgeted for the current year. Did the unit's tax revenue collections make up less than 97% of the amount budgeted in the current year?

- To increase the amount of ad valorem taxes collected, the unit has {describe the steps you have taken or have scheduled including the dates scheduled or completed for additional employee training or hiring additional staff, for the use of debt setoff, garnishments and foreclosures, for updating procedure manuals and documentation, and for contracting with the county to collect taxes on your behalf}.

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## General Performance Indicator: Decrease in Property Value

Decrease in Property Value		
FPIC in DIW	Explanation of Performance Indicator	Target
Decrease in Property Value (2021-2023)	You indicated that you expect a decrease in property value for your next property revaluation which could result in lost tax revenue.	Any estimated decrease

**Sample Response – Decrease in Property Value:** Sample actions to prepare for or respond to a decrease in property values at the next revaluation include the following.

Note: Since counties fund and oversee the revaluation process, a projected decrease in property values resulting from a revaluation is based on those counties that are completing revaluations in a given year. Therefore, municipalities will need to answer this question based on the county in which they are located.

- At the property revaluation scheduled for {fiscal year end} {recently completed}, the unit experienced {expects} a reduction in the property valuation to \$xx,xxx,xxx from \$xx,xxx,xxx, a xx.x% decrease. As required by G.S. 159-11(e), the revenue-neutral tax rate has been determined to be \$0.xxx/\$100. At the current tax rate of \$0.xxx/\$100, the unit's tax revenue will be reduced by \$x,xxx,xxx. In response to the reduced ad valorem tax revenue, the unit has {determined that tax rates of \$0.xxx/\$100 will provide additional tax revenue of \$x,xxx,xxx, increases in fees for {describe fees} will provide additional revenue \$xxx,xxx, and a reduction in expenditures of \$xxx,xxx for {describe activities} will offset the reduction in tax revenue due to the lower property valuation.}

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## General Performance Indicator: Budget Violations

Budget Violations		
FPIC in DIW	Explanation of Performance Indicator	Target
Budget Violations (2022-2023)	The unit has expenditures that exceed the legal budget ordinance. This indicates that the unit's purchase order system, contract approval process and / or payment process is not in compliance with North Carolina General Statute 159.	No over-expenditures

**Sample Response – Budget Violations:** Sample actions when pervasive over-expenditures indicates that the preaudit process is not effective:

- Over-expenditures that occurred {in the {named departments} were the result of {describe reasons}. The unit has provided additional training to staff in these departments and updated procedure manuals and documentation on the unit's procedures in authorizing expenditures {expenses} and making commitments}
- Over-expenditures that occurred {in the {named departments} were the result of audit adjustments to record addition accounts payable and expenditures {expenses}. To prevent audit adjustments in the future, the unit will carefully review the budget-to-actual reports for all units in {May or other month before fiscal year end},





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estimate expected year-end adjustments for payables and have the governing board adopt before the fiscal year end appropriate amendments to the budget.

- Over-expenditures that occurred {in the {named departments}} were the result of closing on an unanticipated {installment purchase, etc.} and expending the proceeds to acquire {describe}. The unit has provided additional training to staff in these departments and has updated procedure manuals and documentation to reflect the need to amend the budget before making commitments expend funds and the unit's procedures in authorizing expenditures {expenses}.

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## General Performance Indicator: Finance Officer – Board-Appointed

Finance Officer – Board-Appointed		
FPIC in DIW	Explanation of Performance Indicator	Target
Finance officer – board appointed, (2022-23)	The indicator is to determine if any time during the fiscal year, the unit was without a board-appointed finance officer as required by G.S. 159-24.	The unit must at all times have a finance officer as required by G.S. 159-24.

**Sample Response – Finance Officer – Board Appointed:** Sample actions when the finance officer has resigned:

- Upon notification of the resignation of the finance officer, the Board as required by G.S. 159-24 immediately appointed {Name of individual and current position} as {Interim} Finance Officer and obtained the fidelity bond required by G.S. 159-29(a).

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## General Performance Indicator: Finance officer – Fidelity Bond

Finance Officer – Fidelity Bond		
FPIC in DIW	Explanation of Performance Indicator	Target
Finance Officer – Bonded (2023)	The indicator is to determine if at any time during the fiscal year, the unit was without a properly bonded finance officer as required by G.S. 159-29(a).	The finance officer for the unit must have a fidelity bond meeting the requirements of G.S. 159-29(a)

**Sample Response – Finance Officer – Fidelity Bond:** Sample actions when the finance officer has not secured a fidelity bond meeting the requirements of G.S. 159-29(a):

- Upon determination that the finance officer was not in compliance with the fidelity bond requirements of G.S. 159-29(a), the finance officer immediately applied for a fidelity bond meeting the statutory requirements. The fidelity bond meeting the statutory requirements was obtained on {date}.
- Upon determination that the finance officer was not in compliance with the fidelity bond requirements of G.S. 159-29(a), the finance officer immediately applied for a fidelity bond meeting the statutory requirements. Upon





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notification that a fidelity bond meeting the statutory requirements was not obtainable {Name of individual and current position} was appointed as {Interim} Finance Officer and directed to obtain the fidelity bond required by G.S. 159-29(a). The fidelity bond meeting the statutory requirements was obtained for {Name of individual} on {date}.

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## General Performance Indicator: Debt Service Payments

Debt service payments		
FPIC in DIW	Explanation of Performance Indicator	Target
Debt Service Payments (2021-23)	This indicator advises whether or not the unit has issues with debt service payments or bond covenants.	Debt service payments made timely and bond covenants met.

**Sample response to failure to comply with bond covenants or late debt service payments:**

- As required by the bond documents, the unit has notified bond counsel and {has contacted {name of consultant} to begin a water and sewer rate study within the next month} {has completed a rate study with {name of consultant} and the {governing board} has increased rates as recommended with the rate study. The new rates will be effective on {date} and are projected to provide debt service coverage that meets the requirements in the bond documents.}

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## General Performance Indicator: Material Weaknesses, Statutory Violations, and Significant Findings

Material Weaknesses, Statutory Violations, and Significant Findings		
FPIC in DIW	Explanation of Performance Indicator	Target
Statutory Violations, (separate - 2021) Material Weaknesses, Statutory Violations, and Significant Findings (2022-2023)	This indicator identifies whether the unit has any material weaknesses, significant deficiencies, management letter comments or items identified on the <i>TD Info Completed by Audit tab</i> including 1055, 1056, 1058, 955 and 957, that require a response.	No material weaknesses, significant deficiencies, or other matters of concern.

**Sample Responses: Material weaknesses, significant deficiencies or statutory violations:** these are described in the notes to the financial statements or in the compliance reports. Material weaknesses or significant deficiencies are reported by the auditor, however: If the only material weakness or significant deficiencies is the lack of segregation of



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duties then no response is required but the unit should review Memorandum 2015-15; If the only material weakness or significant deficiencies is the lack of expertise then no response is required.

Sample responses to material weaknesses, significant deficiencies or statutory violations include the following:

- Note # on page XX of the financial statements reports {describe the statutory violation}. {Describe in detail the steps the unit has taken and the dates of such action that demonstrate the unit's commitment to eliminate this statutory violation.} {If additional action is required, describe in detail the steps the unit has or will be taking and the dates such action is expected to be complete} {The description should be sufficiently detailed to allow the reader to determine whether the action if properly implemented is adequate to prevent the statutory violation in the future.}
- The unit was {description of specific condition justifying the material weakness or significant deficiency}. Note: Be specific about actions taken.
- To prevent recurrence of the {condition}, the unit has {description of specific actions taken with the date completed or by the specific timeline for actions that will be taken with expected completion dates by the unit to prevent recurrence of the material weakness or sufficient deficiency.} {The description should be sufficiently detailed to allow the reader to determine whether the actions if properly implemented are adequate to prevent the material weakness or significant deficiency in the future.}
- The Schedule of Finding and Question Costs included as a material weakness {that the journal entry preparation and review process was inconsistent and in fact several journal entries had no supporting documentation. It was recommended that the unit implement additional procedures to prevent recurrence of this weakness.} The unit has stressed the importance of consistent processes to accounting staff and has taken {describe the specific steps taken and the date implemented and steps the will be implemented with the expected implementation date such as revision of procedures manual, additional employee training, additional review procedures}.

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## General Performance Indicator: Additional Issues – Described

Additional Issues – Described (2021-2023)		
FPIC in DIW	Explanation of Performance Indicator	Target
Additional Issues – Described (2021-2023)	This indicator advises if any other issues that the unit should address in the FPIC response letter.	n/a

**Sample Response – Additional Issues:** If there are additional issues or comments, please describe in detail the steps that have been taken to address any other significant or material findings presented in the financial statements or resulting from the audit of the financial statements. Include any additional facts or circumstance you believe should be considered.

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## General Performance Indicator: Unit Assistance List (past FPIC)

Unit Assistance List (UAL)		
FPIC in DIW	Explanation of Performance Indicator	Target
Unit Assistance List (2021-2022)	N/A-Unit is not on the Unit Assistance List.	Unit is not on the UAL

**Sample Response-UAL:** Please refer to the unit's prior year response to the LGC and provide a thorough update to your corrective action plan.

This FPIC is no longer used. If you need to respond to a past FPIC and need assistance, please contact staff at 919-814-4300 or [LGCFPIC@nctreasurer.com](mailto:LGCFPIC@nctreasurer.com)

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## General Performance Indicator: DEQ mandate (past FPIC)

DEQ Mandate		
FPIC in DIW	Explanation of Performance Indicator	Target
DEQ Mandate (2021)	The local government had a mandate placed on them by DEQ, a court order or some similar requirement (that has no realistic appeal path) that the financial effect will be greater than 3% of the WS Budget and is not yet budgeted.	Performance indicator not met Mandate is followed

**Sample Response-DEQ Mandate:** This FPIC is no longer used. If you need to respond to a past FPIC and need assistance, please contact staff at 919-814-4300 or [LGCFPIC@nctreasurer.com](mailto:LGCFPIC@nctreasurer.com)

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## General Performance Indicator: Landfills (past FPIC)

Landfills		
FPIC in DIW	Explanation of Performance Indicator	Target
Landfills (2021)	This indicator tells if you have a landfill that is estimated to close within 5 years, but the unit may not have enough funds for the closure/post closure costs.	Performance indicator not met. Unit has sufficient funds if landfill is estimated to close within 5 years

**Sample Response-Landfills:** This FPIC is no longer used. If you need to respond to a past FPIC and need assistance, please contact staff at 919-814-4300 or [LGCFPIC@nctreasurer.com](mailto:LGCFPIC@nctreasurer.com).



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### General Performance Indicator: Pre-audit Process (past FPIC)

Pre-audit Process		
FPIC in DIW	Explanation of Performance Indicator	Target
Pre-audit Process (2021)	The unit had expenditures that exceeded the legal budget ordinance. This indicates that the unit's purchase order system, contract approval process and / or payment process is not in compliance with North Carolina General Statute 159.	No over-expenditures

**Sample Response-Pre-Audit Process:** This FPIC is no longer used. If you need to respond to a past FPIC and need assistance, please contact staff at 919-814-4300 or [LGC FPIC@nctreasurer.com](mailto:LGC FPIC@nctreasurer.com).

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