

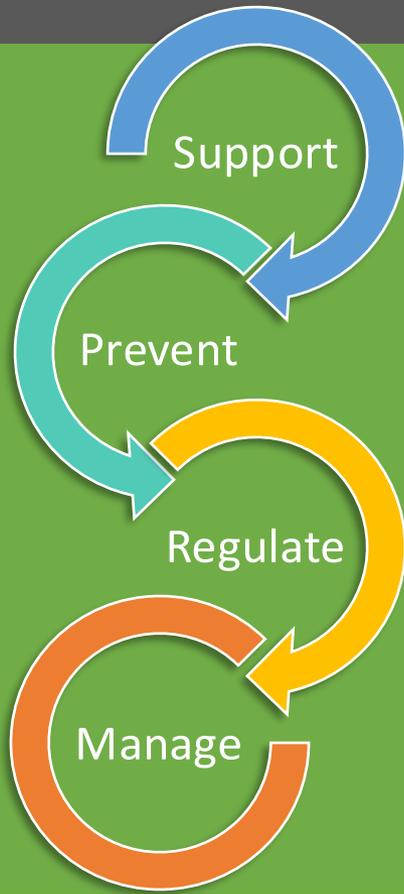


Unit Assistance List: Budget

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What is the Local Government Commission?



State oversight of local government finances

Financial management regulations

Debt approval

Resource

Evolving role

Unit Assistance List

The UAL identifies units with concerns related to units' general fund, water/sewer quick ratio, income, and cash flow, and internal controls, or that have not yet submitted their audited financial statements (due four months following fiscal year end).

[October 2022 UAL](#)



No audit filed



Budget violations/cash flow issues



Internal control weaknesses

LGC Powers & Authority

LGC may mandate:

- Finance staff and manager training
- Modifications to internal controls
- Contract with outside finance professionals

LGC approval required for leases, vehicle financings, and other contracts

The LGC is vested with all 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.

LGC Takeover

The LGC may impound the books and records of a county and assume full control of all its financial affairs:

- when the county defaults on any debt service payment or, in the opinion of the LGC will default on a future debt service payment if the financial policies and practices of the county are not improved, or
- when the county persists, after notice and warning from the LGC, in willfully or negligently failing or refusing to comply with the provisions of GS. Ch. 159.

The LGC also may impound the books and records and assume full control of county water and/or sewer system, if certain criteria are met.

The LGC is vested with all 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.

AGENDA

Budgeting

Cash
Management
&
Investments

Obligating &
Disbursing
Public Funds

Accounting &
Financial
Reporting

Auditing

Budget Ordinance Adoption

- The Local Government Budget and Fiscal Control Act contains the fiscal requirements in which local officials must follow regarding the multiple aspects of public budgeting and financial management in North Carolina (Chapter 159).



Budget Ordinance Adoption

- Each local government and public authority shall operate under an annual balanced budget ordinance adopted and administered in accordance with the Article (G.S. 159-8).

Budget Ordinance Adoption

- A budget ordinance is balanced when the sum of estimated net revenues and appropriated fund balances is equal to appropriation (G.S. 159-8).

Budget ordinance Adoption

- The statutory budget calendar is budget requests and revenue estimates to budget officer by April 30;
- Proposed budget, together with a budget message, to governing board no later than June 1; and
- Adopted budget ordinance on or before July 1.



Budget Ordinance Adoption



Presentation to the Board and notice of availability for public inspection

10 days must pass before budget may be adopted

Public hearing must be held before budget ordinance is adopted

Budget Ordinance Adoption

Estimated Revenues

+

Appropriated Fund Balance

=

Appropriations

Contingency Appropriation

- A contingency appropriation shall not exceed 5 percent of the total of all other appropriations in the same fund [G.S. 159-13(b)(3)].

Interfund Transfers

- Except for G.S. 159-13(b)(14), which states that no appropriation may be made from an enterprise fund to any other fund unless all other appropriations exceed the amount to meet operating expenses, capital outlay, and debt service, interfund transfers are legal.

Interfund Transfers

- Interfund transfers represent a “red flag” for the LGC because a fund is a self-balancing and segregated set of accounts for the purpose of carrying out specific activities.
- Interfund transfers can impact the financial condition of funds, may impact the credit ratings of local units, and may raise issues of fairness.

Interfund Transfers

- When a water & sewer fund has a transfer-in for the support of operations that is greater than 3 percent of total expenses, local units must discuss the purpose and a plan for moving forward.

Preaudit Process

- Each Local Unit shall appoint a finance officer to hold office at the pleasure of the appointing board or official (G.S. 159-24).
- The finance officer is required to preaudit obligations (purchase orders, contracts, new employees) to ensure that no obligation is incurred without being budgeted and that funds are available (159-28).

Preaudit Process

- The finance officer shall establish procedures to assure compliance with the statute (G.S. 159-28).
- The governing board has the statutory authority to appoint one or more deputy finance officers to perform the preaudit process (G.S. 159-28).

Monthly Financial Reports

- These reports are presented to board members monthly after the month-end reconciliation of accounts.

<i>EXPENDITURES</i>	ANNUAL BUDGET	ACTUAL TO DATE	Y-T-D % SPENT
GOVERNING BODY	\$ 56,500	\$ 49,322	87.30%
ADMINISTRATIVE	112,121	91,537	81.64%
FINANCE	241,753	215,165	89.00%
LEGAL	17,596	18,788	106.78%
PLANNING & ZONING	108,548	93,867	86.48%
PUBLIC BUILDINGS	23,050	20,868	90.53%
POLICE	960,997	845,151	87.95%
FIRE	281,284	238,826	84.91%
GARAGE	46,917	26,605	56.71%
STREETS & HIGHWAYS	451,607	406,797	90.08%
POWELL BILL	147,980	112,130	75.77%
SANITATION	152,969	128,244	83.84%
RECREATION	732,213	574,676	78.48%
LIBRARY	114,333	94,596	82.74%
CEMETERY	21,280	10,758	50.56%
AIRPORT	196,167	33,686	17.17%
DEBT SERVICE	307,145	269,061	87.60%
NON-DEPARTMENTAL	413,900	239,349	57.83%
CONTRIBUTION TO WATER & SEWER FUND	280,830	280,830	100.00%
	\$ 4,667,190	\$ 3,750,258	80.35%

Budget Ordinance Violation

- G.S. 159-13(a) requires that the budget ordinance shall make appropriations by department, function, or project and show revenues by major source.

SECTION 2: The following amounts are hereby appropriated in the General Fund for the operation of the City government and its activities for the Fiscal Year beginning July 1, 2022 and ending June 30, 2023, in accordance with the chart of accounts heretofore established for this City:

General Government	\$ 12,073,561
Public Safety	28,390,638
Transportation	6,957,872
Economic and Community Development	4,115,737
Culture and Recreation	4,400,488
Other Financing Uses	2,010,778
Debt Service	4,192,361
Contingency	<u>1,000,000</u>
	\$63,141,435

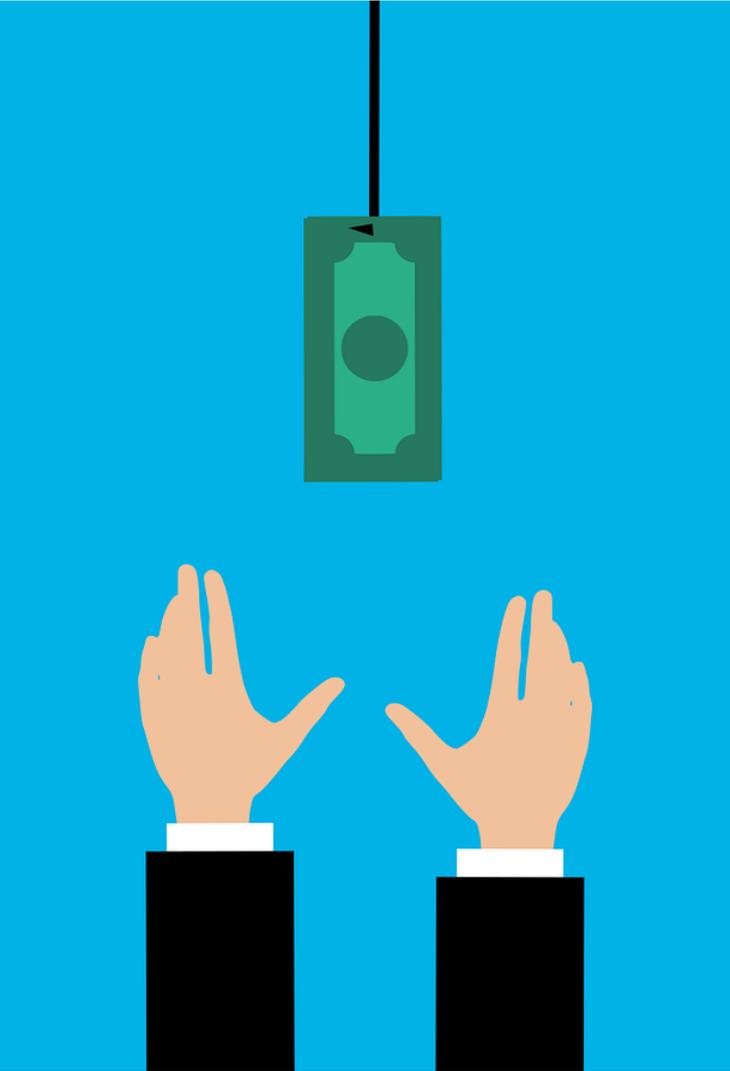
Budget Ordinance Violation

- Preaudits and budget-to-actual variance reports help prevent budget ordinance violations at fiscal year end, which can place local units on the UAL.

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Current:				
General government	1,618,490	1,823,766	1,861,474	(37,708)
Environmental protection	903,900	903,900	897,553	6,347
Public safety	5,278,959	5,553,504	5,536,411	17,093
Transportation	1,941,911	1,828,855	1,734,571	94,284
Cultural and recreation	487,548	535,377	528,513	6,864
Economic and physical development	391,411	369,411	357,367	12,044
Capital outlay	2,237,498	2,949,813	2,040,963	908,850
Debt service:				
Principal	1,218,198	1,247,628	1,246,391	1,237
Interest and other charges	124,316	129,141	130,363	(1,222)
Total expenditures	<u>14,202,231</u>	<u>15,341,395</u>	<u>14,333,606</u>	<u>1,007,789</u>

Exercise

- What is your current process for adopting a balanced budget ordinance and remaining within the budget ordinance appropriation line-items?



KEY TAKEAWAYS

- Adopt realistic budget ordinances, including a contingency appropriation
- Only use interfund transfers when appropriate
- Monitor and receive updates on budget-to-actual variances
- Avoid budget violations