

**Village of Forest Hills
Work Session
February , 2026
7:00 PM**

- 1. Animal Issue**
 - a. Example (s)**
 - b. Board members review provide any edits then we can have VFH attorney review or are we good to give to Mr. Coward and have ready for March meeting**

- 2. Revised rules of procedure – update**

- 3. Planning board names to move forward**

- 4. Essentials training**
 - a. Internal controls/auditor**
 - b. Purchasing policy**
 - c. Donations**
 - d. Fund balance policy**

- 5. Website update – should we form an ad-hoc committee?**

- 6. Budget Calendar**
 - a. March meeting form finance committee**
 - b. For April meeting draft budget prepared**
 - c. May Meeting budget presented**
 - d. Potential special meeting mid May**
 - e. Final budget approved June meeting**

- 7. Reminder – goals to Stephanie particularly if impact budget**

- 8. Calendar – again what should Village boards track on an internal calendar, please get items to Stephanie.**

- 9. Adjourn**

Financial Management in Municipal Government: A Top Ten Primer

Gregory S. Allison

Kara Millonzi

Rebecca Badgett

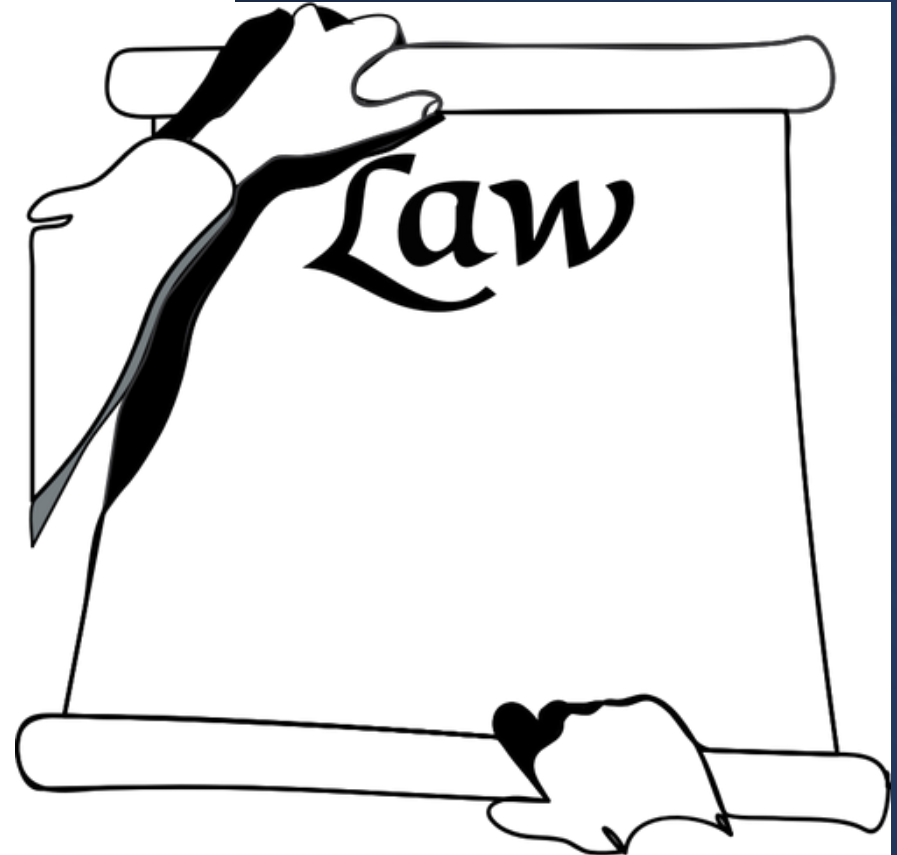
William C. Rivenbark

Purpose of Presentation

- To present the top 10 areas of financial management in municipal government, including
 - Budget presentation and adoption
 - Overview of the LGC and fund balance
 - Capital planning and finance
 - Requirements of the annual audit

1) The Local Government Budget & Fiscal Control Act

- State legislation that contains the fiscal requirements in which local officials must follow regarding the multiple aspects of public budgeting and financial management (Chapter 159).



1) The Local Government Budget & Fiscal Control Act

- Examples of fiscal requirements include:
 - Each local government shall appoint a budget officer.
 - In each year of a revaluation, the budget officer shall include a revenue-neutral tax rate in the budget for comparison purposes.
 - Unless otherwise directed, the budget officer shall submit a proposed balanced budget to the governing board.
 - Each local government shall operate under an annual balanced budget ordinance.

2) Budget Preparation and Adoption

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



2) Budget Preparation and 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



2) Budget Preparation and Adoption

Estimated Revenues



Appropriated Fund Balance



Appropriations

3) Revenues

- It is recommended that council members understand the mechanics of major revenue sources and receive periodic updates on budget-to-actual variances.
- Property tax and sales tax represent major revenue sources in municipal government.

3) Revenues

- Property tax
 - Valuation is county responsibility and is established by January 1 for the following fiscal year.
 - Tax levy = (assessed value / 100) x tax rate.
 - The estimated percentage of collection for property taxes, which cannot exceed the current collection percentage, is multiplied by the tax levy to determine the revenue estimate for balancing the budget.

3) Revenues

- Sales tax
 - County levy that is collected by state.
 - All counties levy a 2.0 percent sales tax, where 1.5 percent is returned to county on point of delivery and 0.5 percent on per capita basis.
 - County shares with municipalities based on per capita or ad valorem formula.

4) Local Government Commission

- The LGC, which is a division of the Department of State Treasurer, provides state oversight of North Carolina local finance.



4) Local Government Commission

- Roles of LGC include:
 - Approves and sells local government debt
 - Regulates local financial management
 - Can take over local unit in financial trouble
 - Helps local governments improve financial condition, which is part of the unit assistance list (UAL)

5) Fund Balance



Local governments should adopt by resolution a fund balance policy that clearly states its percentage threshold.



Local Government Commission (LGC) recommends that available fund balance should be at least 50 percent of the category expenditure average.

5) Fund Balance

Fund Balance Available:
Based on Fiscal Year 2024 Municipality Data Available as of Thursday, June 19, 2025

	General Fund Expenditure Grouping	Average Fund Balance Available	Average Expenditures	Average FBA as a Percentage of Average Expenditures	Median Fund Balance Available	Median FBA As a Percentage of Average Expenditures
All Municipalities	Statewide	\$9,967,140	\$16,245,209	61.35%	\$2,506,926	108.02%
Units with Electrical Systems	All with electric	\$14,872,944	\$29,866,061	49.80%	\$8,226,656	61.31%
	\$10,000,000 and Above	\$24,280,869	\$49,422,238	49.13%	\$19,658,665	53.58%
	\$1,000,000 to \$9,999,999	\$2,718,474	\$4,413,489	61.59%	\$2,288,481	61.85%
	\$100,000 to \$999,999	\$431,658	\$328,392	131.45%	\$394,635	203.90%
	\$99,999 and Below	NR	NR	NR	NR	NR
Units without Electrical Systems	All without electric	\$9,252,467	\$14,260,937	64.88%	\$2,224,745	116.30%
	\$10,000,000 and Above	\$36,827,039	\$63,832,969	57.69%	\$16,993,251	61.10%
	\$1,000,000 to \$9,999,999	\$4,017,422	\$3,960,984	101.42%	\$2,975,102	102.99%
	\$100,000 to \$999,999	\$1,158,656	\$434,897	266.42%	\$749,686	213.05%
	\$99,999 and Below	\$263,100	\$64,202	409.80%	\$212,181	366.32%

6) Appropriations

- Budgets are more than a financial plan for the coming fiscal year. They are strategic plans for organizational direction and performance plans for service efficiency and effectiveness.
- Budget calendars are commonly expanded by the budget officer to accommodate long-term goals and performance objectives.
- The budget ordinance shall make appropriations by department, function, or project and show revenues by major source (G.S. 159-13).

7) Capital Planning

- Local governments often use a separate process, known as capital budgeting, for acquiring major capital assets.
- When the capital budget includes a multi-year forecast (5 years) of capital needs, it becomes a capital improvement program.

7) Capital Planning

- Rationale for capital budgeting:
 - Policy decisions extend for years
 - Capital assets differ from year-to-year
 - Spending varies from year-to-year
 - Debt financing is often used
 - Implementation often extends beyond one fiscal year

8) Capital Financing

- Pay-as-you-go financing:
 - Annual budget
 - Fund balance
 - Capital reserve fund
 - Grants

8) Capital Financing

- Debt financing:
 - General Obligation Bonds
 - Revenue Bonds
 - Installment Financing
 - Project Development Bonds
 - Special Obligation Bonds

9) Financial Reporting

- Local governments in North Carolina are required by statute to follow generally accepted accounting principles (GAAP).
- GAAP requires the use of fund accounting.
- Each fund is a separate fiscal and accounting entity, with its own self-balancing accounts; therefore, each fund has its own operating statement and balance sheet.

9) Financial Reporting

- Three broad categories of funds
 - Governmental (general fund, special revenue fund, debt service fund, capital projects fund, and permanent fund).
 - Proprietary (enterprise fund and internal service fund).
 - Fiduciary (pension trust fund, investment trust fund, private-purpose trust fund, and agency fund).

9) Financial Reporting

- Local governments are required to prepare Basic Financial Statements.
 - Management's discussion & analysis
 - Government-wide financial statements
 - Fund financial statements
 - Note disclosures
- Some local government prepare annual comprehensive financial reports.

10) Annual Audit

- Purpose of an audit is to ensure that financial statements report the financial position of a local government in accordance with generally accepted accounting principles (GAAP)



10) Annual Audit

- Audits must be conducted by an independent certified public accountant, chosen by the entity's governing board
- Reports are due to the Local Government Commission by the end of December



10) Annual Audit

- Auditor is required to make a presentation to board at a public meeting within 45 days after the audit is completed.
- Auditor's presentation should include:
 - Review of the management letter, including areas of material weaknesses, significant deficiencies, and if applicable, financial performance indicators of concern.
- The unit of government is then expected to develop a response to what the auditor presented, signed by majority of board members, and submitted to the LGC staff within 60 days of presentation.

Key Takeaways

- Each local government shall operate under an annual balanced budget ordinance.
- Each local government should adopt by resolution a fund balance policy that clearly states the percentage threshold of cash reserves to be maintained.
- When the capital budget includes a multi-year forecast (5 years) of capital needs, it becomes a capital improvement program.
- The purpose of the annual financial audit is to ensure the unit's financial statements reflect GAAP.

Resources Available to You

Books

- County and Municipal Government in North Carolina, 2nd edition, edited by Frayda Bluestein.
- Budgeting in North Carolina Local Governments, 2nd edition, edited by Whitney Afonso.
- Introduction to Local Government Finance, 5th edition, edited by Connor Crews.

Resources Available to You

Key Contacts

UNC School of Government

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ESSENTIALS OF MUNICIPAL GOVERNMENT

Financial Oversight and Internal Controls

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SCHOOL OF GOVERNMENT

Center for Public Leadership and Governance





Can We Do It?



**How Do We
Manage It?**



**How Do We
Ensure
Compliance?**

N.C. Local Government Finance Policy Manual

This policy manual is a resource for North Carolina local governments and public authorities, helping them navigate budgeting, financial management, contracting, accounting, reporting, and auditing regulations. It provides concise summaries and analysis of the Local Government Budget and Fiscal Control Act and other finance laws, along with practical tools for implementation—such as sample ordinances, templates, LGC memos, blog posts, and video tutorials. We are launching this new resource with eight chapters—Intro to the Fiscal Control Act, Budgeting, Fund Balance, Chart of Accounts, Revenue Sources, Internal Controls, Cash Management and Investments, and Preaudits and Disbursements. We will add the remaining chapters and lots of other associated resources over the next year.

1 [Intro to Local Government Budget and Fiscal Control Act](#) →

2 [Budgeting](#) →

3 [Fund Balance](#) →

4 [Chart of Accounts](#) →

11 [Purchasing and Contracting \(forthcoming\)](#) →

12 [Preaudits & Disbursements](#) →

13 [Conflict of Interests \(forthcoming\)](#) →

14 [Employee Compensation, Payroll, and Travel \(forthcoming\)](#) →

Special Topics

Helene Response

[Read Now](#)



American Rescue Plan Act (ARP) Grants

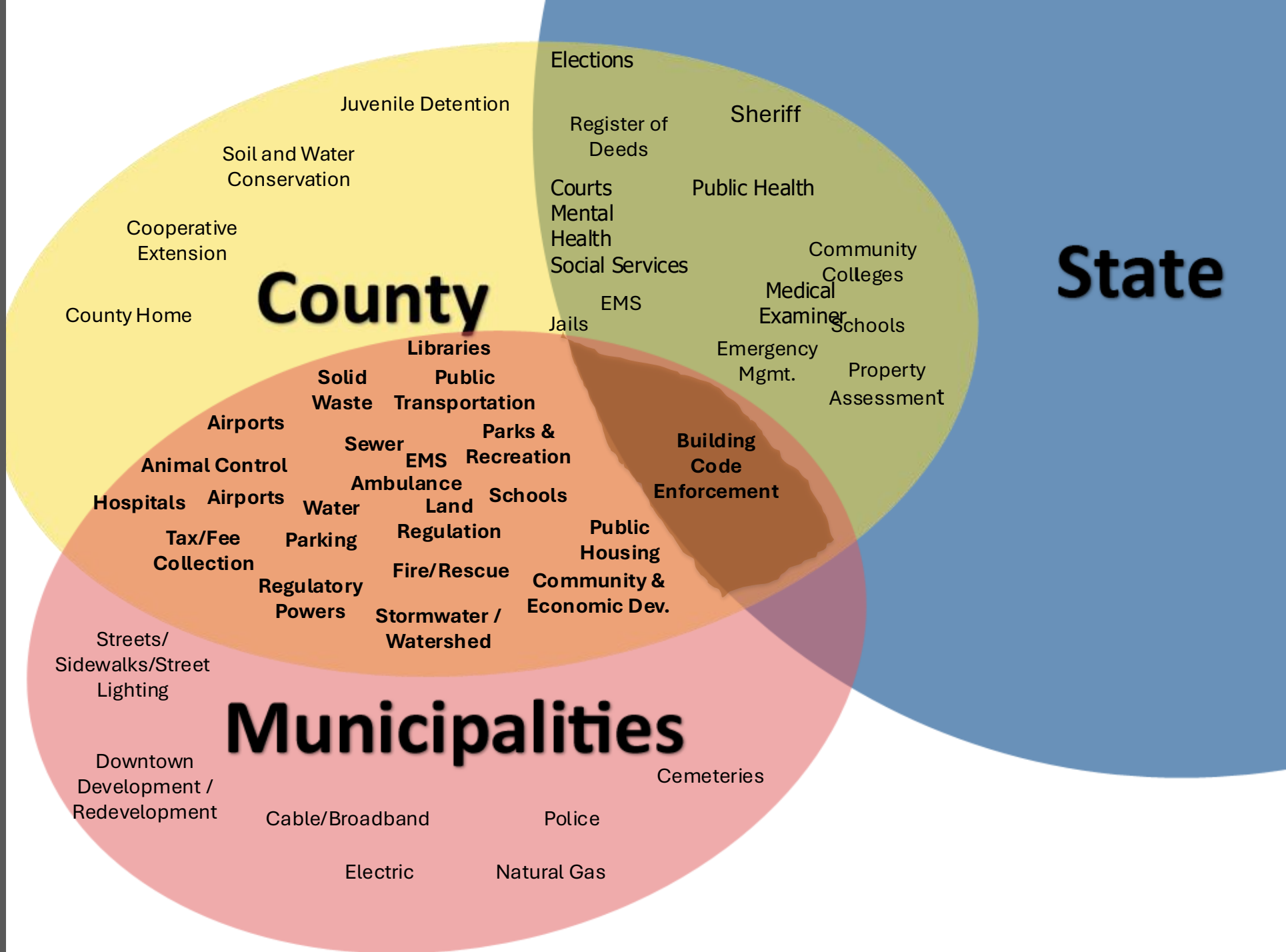
[Read Now](#)

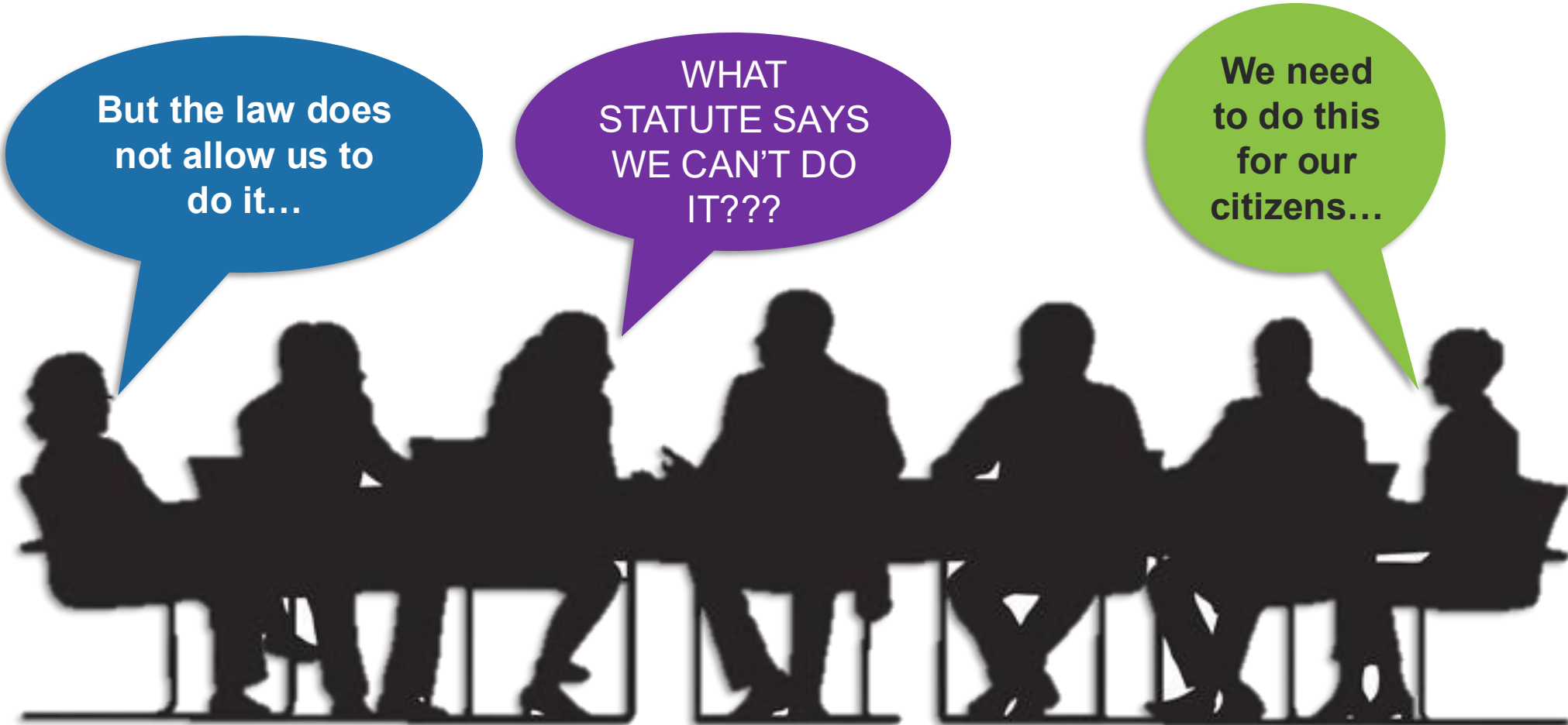


Recent Updates

THE FOLLOWING ARE IMPORTANT

MAJOR COUNTY & MUNICIPAL FUNCTIONS





But the law does not allow us to do it...

WHAT STATUTE SAYS WE CAN'T DO IT???

We need to do this for our citizens...

WHAT STATUTE SAYS WE CAN DO IT?

A local government and public authority must have statutory authority to undertake any activity!

Local Government Authority

Grants of Authority



State Statutes

Local Acts

Charter Provisions

Grant authority to undertake an activity

Grant authority to use a specific funding source for an activity

Set limitations on undertaking an activity

Detail process requirements for undertaking activity

Limits on Authority



Federal Law

State Constitution

State Regulations

THE
CONSTITUTION
OR
FORM OF GOVERNMENT
AGREED TO, AND RESOLVED
BY THE
REPRESENTATIVES OF

Public Purpose

“The power of taxation shall be exercised . . . for public purposes only . . .” N.C. Const. Art. V, Sect. 2(1)

1. You must have statutory authority to expend funds for any purpose
2. Public funds must be spent for the benefit of citizens of your LG
3. Public funds must be spent for citizens generally and not solely to benefit private individual / entity

OF THE
S T A T E
OF
N O R T H - C A R O L I N A
ELECTED and CHOSEN for
IN CONGRESS ASSEMBLED
The Eighteenth Day of December
One Thousand Seven Hundred

Exclusive Privileges & Emoluments

“No person or set of persons is entitled to exclusive or separate emoluments* or privileges from the community but in consideration of public services.”
N.C. Const. Art. I, Sect. 32

1. You may not provide direct benefit to private entities or individuals without receiving public benefit in return

PHILADELPHIA
PRINTED BY F. PAULET, IN MARKET-STREET.
MDCCLXXIX.



Lawful?


A beloved city resident leaves his faucets running all day to accommodate his many cats. He has recently fallen behind on his rather high water bill. The department's normal procedure is to shut off the water and impose a penalty for the delinquency. The city manager feels sorry for the resident and requests that the city's governing board make an exception and waive his outstanding utility fees and late penalties. To a cheering crowd, the board votes unanimously to do so.

Lawful?


Town grants one-time-per-year adjustment to water bill if leak is discovered and bill amount is higher than comparable monthly bill, as long as customer provides proof from licensed plumber that leak is fixed.




Is there a statute, charter provision, or local act that specifically authorizes activity?




Does the activity provide a general benefit to the LG's citizens or a subset of the LG's citizens?



Is the activity intended to promote the general welfare of LG's citizens?



Does the general welfare benefit outweigh direct benefit to any particular individual or entity?



If a public enterprise is involved, does the activity benefit the public enterprise system?



PRIVATE

PUBLIC

§ 160D-1311. Community Development Programs and Activities

- A local government is authorized to engage in, to accept federal and State grants and loans for, and to appropriate and expend funds for community development programs and activities and may engage in the following activities:
- Programs concerned with employment, economic development, crime prevention, child care, health, drug abuse, education, and welfare needs of persons of low and moderate income.

Support

vs.

Partnership

A local government generally **DOES NOT** have statutory authority to support a nonprofit's, community organization, or other private entity's general operating or capital expenditures (unless an exception applies)

Contracts with private entities

(a) Authority. – A local government may contract with and appropriate money to any person, association, or corporation, in order to carry out any public purpose that the county is authorized by law to engage in.

§ 160A-20.1 (cities)

§ 153A-449 (counties)

Unless an exception applies, should treat nonprofit / other private entity as a "service provider"

Exceptions

A local government may support general operating and capital expenses of certain nonprofit entities when there is statutory authority.

- **Nonprofit rescue squad; § 160A-487**
- **Nonprofit volunteer fire department (county only); § 153A-233**
- **Museum and art nonprofit; § 160A-488**
- **Nonprofit animal shelter; § 160A-493**
- **Nonprofit hospital; § 131E-7**
- **Private entities providing certain physical, intellectual, or other developmental disability services; § 153A-248**
- **Historical or preservation organization; § 153A-437**



Can We Do It?



**How Do We
Manage It?**



**How Do We
Ensure
Compliance?**



Budgeting



**Cash
Management
&
Investments**



**Obligating &
Disbursing
Public Funds**



**Accounting &
Financial
Reporting**



**Auditing &
Local
Government
Commission**



The Local Government Budget and Fiscal Control Act, G.S. 159, Art. 3, governs budgeting and financial management

Key Players in LG Finance

Governing Board

- Oversight / Fiduciary Duty
- Adopts/amends budget(s)
- Sets tax/fee rates
- Appoints some finance personnel
- Selects official depositories
- Selects auditor

Finance Officer

- Establishes and maintains accounting system
- Controls expenditures and disburses moneys
- Prepares and presents financial reports
- Manages receipt and deposit of moneys
- Manages debt service obligations
- Supervises investments

Budget Officer

- Prepares and submits annual budget and budget message to board
- Executes budget(s)
- In manager form of government, manager is the budget officer
- In mayor/council form of government, board must appoint budget officer

Tax Collector

- Prepares tax bills
- Collects taxes
- Accounts for tax collections
- Prepares and presents reports on tax collections
- For smaller units, may contract with county for tax collection

Auditor

- Performs annual financial audit

Finance Officer Duties



- ✓ Manager
- ✓ Board Member
- ✓ Other Employee or Officer of the Unit
 - Except tax collector absent LGC approval

- Establish and maintain the unit's accounting system in a form that meets legal standards
- Oversee the receipt and deposit all money
- Preaudit obligations
- Manage disbursement process
- Reconcile bank accounts
- Oversee debt service obligations
- Manage investments
- Prepare financial reports for the board
- Other duties as assigned

Fidelity Bond Requirements

Employee/Official	Bonding Requirement
Finance Officer	<ul style="list-style-type: none">• True Accounting and Faithful Performance Bond• Individual bond (not position bond)• Amount set by Board, no less than \$50,000 or 10% of annual budgeted funds up to \$1,000,000, whichever is greater
Tax Collector	<ul style="list-style-type: none">• Honesty and Faithful Performance Bond• Amount set by Board (but tax collector not permitted to collect any taxes not covered by bond)
<u>All</u> Other Employees and Officials	<ul style="list-style-type: none">• Faithful Performance Bond• Amount set by Board• May be covered by Blanket Bond

Preaudit Process

G.S. 159-28 mandates statutory review processes to ensure budgetary authority and sufficient remaining funds before incurring a legal obligation *and* before disbursing public funds.

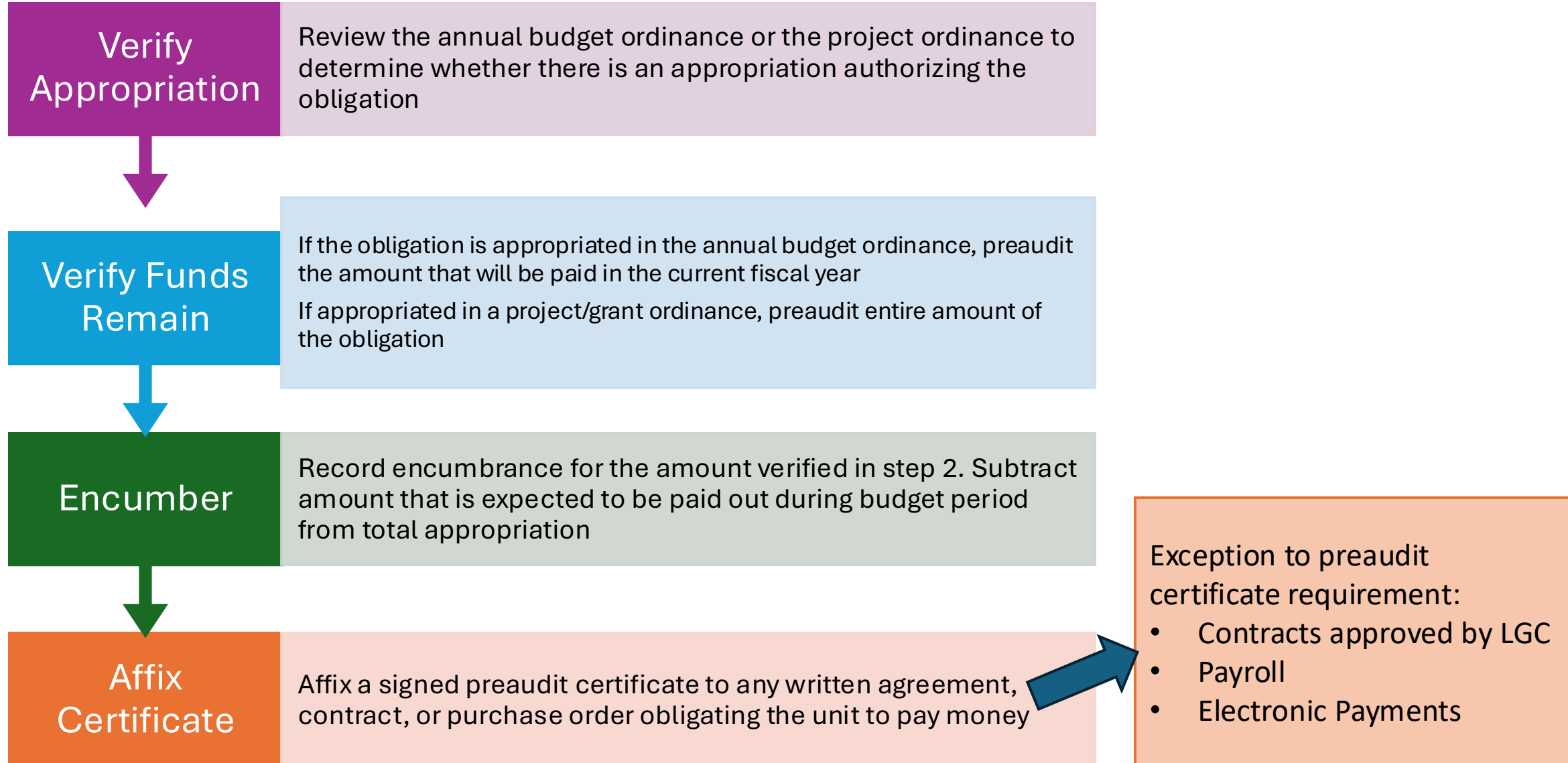
- No obligation may be incurred the annual budget ordinance unless:
 - the ordinance includes an appropriation authorizing the obligation, and
 - an unencumbered balance remains in the appropriation sufficient to pay the sums obligated.
 - If an obligation is reduced to writing (e.g., purchase order, contract, agreement), the writing shall “include on its face” a certificate attesting that the instrument has been preaudited and shall be signed by the finance officer or a deputy finance officer.

“This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act.” _____ s/ FO or Deputy



Preaudit G.S. 159-28

Finance Officer or Deputy Finance Officer Shall:



If No Preaudit.....



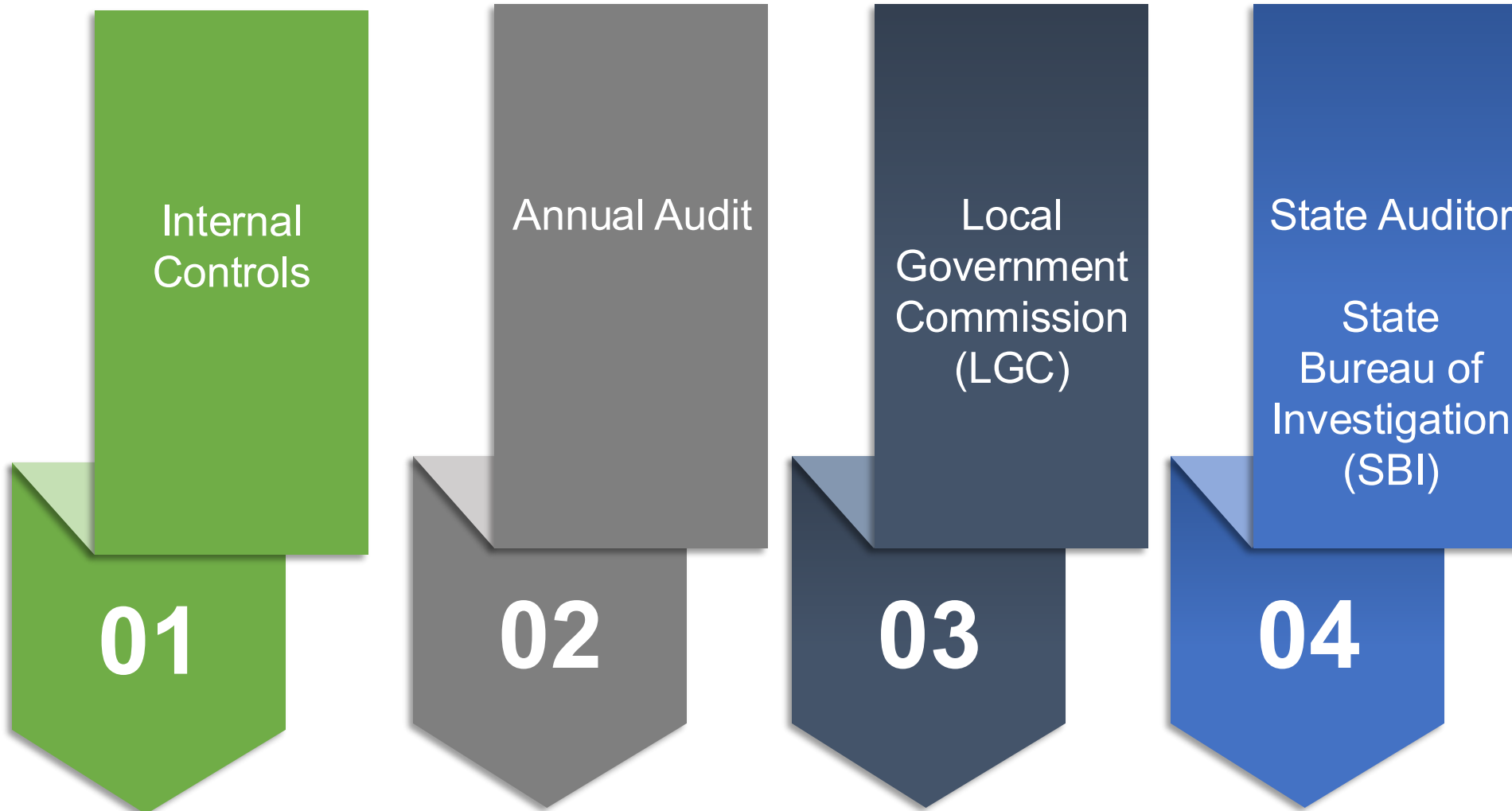
Contract/agreement/order is VOID and cannot be enforced

Finance officer may be personally liable for sums committed when:

- No preaudit
- False preaudit certificate
- Approves any claim or bill knowing it to be fraudulent, erroneous, or otherwise invalid
- Violation of G.S. 159-28 may result in a Class 3 misdemeanor

Accountability & Oversight

There are separate but overlapping mechanisms to ensure local government compliance with financial and other statutory requirements.



Biggest Municipal Fraud in History

Rita Crundwell and the Dixon Embezzlement

THE \$53 MILLION BAMBOOZLE: How the trusted comptroller of a small Illinois town became the biggest municipal embezzler in U.S. history, according to the feds—and no one noticed

BY BRYAN SMITH

PUBLISHED SEPT. 24, 2012



Rita Crundwell leaves a Rockford, Illinois, courthouse after a hearing on her embezzlement case in August 2012. PHOTO: RAY WHITEHOUSE



Governing board is responsible for oversight of the internal control system

Adopt Policies and Procedures

Segregate Duties

Bank Reconciliation

Review Budget-to-Actual Reports

Avoid Conflicts-of-Interest

- Accounting & financial reporting
- Fund balance
- Cash management
- Preaudit
- Conflict of Interest
- Investments
- Capital improvements
- Code of conduct
- Procurement

Does your unit have updated policies and procedures?

Establish policies and procedures for financial operations

Segregate Incompatible Duties

Assign more than one person to perform incompatible functions

Authorization

Custody

Record Keeping

Reconciliation



Compensating Controls for Small Units

Compensating controls are alternative procedures used when full segregation of duties is not possible due to limited staff or resources.



Memorandum #2026-04 (Update/Revision of Memo #2015-15)

TO: Finance Officers of North Carolina Governments and Public Authorities
FROM: Kendra Boyle, Director, Fiscal Management Section
SUBJECT: Internal Controls for a Small Unit of Government
DATE: September 25, 2025

Contents

Introduction.....	2
General Controls	2
Board Oversight.....	3
Controls in Accounting System	3
Statutory Controls.....	4
Specific Controls.....	5
Cash Receipts.....	5
Financial Institutions	5
Petty Cash.....	5
Revenues/Billing.....	6
Tax Revenues.....	6
Cash Disbursements	6
Cash Disbursements (Specific to Payroll).....	7
Accounts Receivable	8
Investments	8
Accounts Payable and Expenditures	8
Purchasing and Contracting	8

Annual Audit

Audit category is based on total funds expended, not the receipt of funds.

Financial Audit: All local governments must undergo an annual financial audit. G.S. 159-34

Yellow Book Audit:
Expend \$100,000 or more in combined federal or state dollars

State Single Audit:
Expend \$1 million or more in state funds must have a state single audit

Federal Single Audit:
Expend \$1 million or more in federal dollars during the fiscal year

Governing Board Action on Audit

If a local government's audited financial statements include one or more

- significant deficiencies,
- material weaknesses,
- other findings, or
- financial performance indicators of concern (FPIC)

The board must develop a "**Response to the Auditor's Findings, Recommendations, and Fiscal Matters**" signed by a majority of the board and submitted to the LGC within 60 days of the auditor's presentation.

Low fund balance

Uncollected tax levy

Late audit submission

Transfers from enterprise fund to general fund

Operating net income loss in enterprise fund

Quick ratio below 1 in enterprise fund

Budget violations

Other statutory violations



KEY TAKEAWAYS

- Statutory authority is required to spend public money to support a program or activity
- Elected officials have oversight responsibility for internal controls
- Read the Chapter 159, the Local Government Budget and Fiscal Control Act
- Establish a strong working relationship with the finance officer

Additional Resources

- NC Local Government Finance Policy Manual (<https://NCFinanceConnect.com>)
- Coates' Canons Local Government Law Blog (SOG website)
- LELA Course: April 8 (on-line) Fiduciary Responsibilities of Local Elected Officials
- NCLM - The 10 Keys to Effective Governing Board Oversight Municipal Finance
- NCLM - Financial Management: A Guide to Obtaining and Maintaining Sustainable Financial Management for Your Local Government

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Capital Planning, Budgeting, and Finance



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