

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER



BRADFORD B. BRINER
STATE TREASURER OF NORTH CAROLINA

Module 3:

Finance Officer & Monthly Financial Reports



Finance Officer

- The Local Government Budget and Fiscal Control Act (LGBFCA) requires local governments to have a finance officer at all times.^[1]
- The governing board should ensure a qualified person is in the role of finance officer.



^[1][G.S. 159-24](#)



Finance Officer: Powers and Duties

The finance officer is responsible under law for all of the following:^[2]

1. Keeping the unit's accounts
2. Disbursing all funds
3. Preparing and filing financial reports
4. Receiving and depositing all moneys (or supervising receipts and deposits)
5. Monitoring and managing debt
6. Supervising investment of idle funds
7. Performing other duties assigned by law, manager, budget officer, governing board, or LGC rules and regulations
8. Attending training that may be required by the LGC^[3]
9. Contracting with outside entities to ensure fulfilment of duties

^[2][G.S. 159-25\(a\)](#) ^[3][G.S. 159-25\(d\)](#)



Finance Officer: Faithful Performance Bond

- To protect the local government from any losses caused by a finance officer who fails to properly carry out their duties, finance officers are required to obtain a **faithful performance bond** in an amount determined by the governing board in accordance with specific statutory requirements.
- **Note that these requirements have changed as of Jan. 1, 2023.**^{[4][5][6]}

“The amount of the bond fixed by the governing board may not be less than the greater of the following:

- (1) Fifty thousand dollars (\$50,000).
- (2) An amount equal to ten percent (10%) of the unit's annually budgeted funds, up to one million dollars (\$1,000,000).”^[7]



Contracted Third-Party Bookkeeper

- The finance officer is empowered to contract with a third party for assistance with certain assigned duties.^[8]
- Any work performed by a third-party bookkeeper should be closely supervised to ensure all contractual obligations to the unit are being met.
- The third-party bookkeeper may be asked to attend board meetings to answer any questions the board might have.

When working with a third-party bookkeeper:

- The board should continue to ensure a qualified finance officer is in place at all times.
- The finance officer is still ultimately responsible for ensuring all duties are carried out in an accurate and timely manner.

^[8][G.S. 159-25\(a\)\(9\)](#)



Contracted Third-Party Bookkeeper

Contract Considerations

- Monthly financial reporting should be included in the contract.
- The contract should also include specific language stating that the contractor will not be paid if the work outlined in the contract is not completed.
- A sample contract for a third-party bookkeeper is available on the [LGC website](#).

SAMPLE

AGREEMENT BETWEEN THE CITY OF DOGWOOD AND A THIRD-PARTY BOOKKEEPER

THIS AGREEMENT, is made and entered into this ____ day of _____, 20____ by and between Dogwood, North Carolina (the "City") party of the first part; and _____ (the "Provider"), party of the second part.

WITNESSETH:

For the purpose and subject to the terms and conditions hereinafter set forth, the City hereby contracts for the services of the Provider, and the Provider agrees to provide the services to the City in accordance with the terms of this Agreement.

I. SERVICES TO BE PROVIDED BY PROVIDER

A. Board Meeting Duties

1. Attend board meeting (at least one each month) to answer questions about the monthly financial reports presented to the board – budget to actual report, cash balances, expenditures, status of bank and other account reconciliations.

B. Ongoing Monthly General Accounting Duties

1. Accounts payable (bills to be paid on the 15th and 30th of each month). Review approved invoices and prepare checks for Mayor and Finance Officer's signatures. City will mail checks. Precautions will be taken to ensure invoices are properly noted when paid to prevent duplicate payments.
2. Prepare monthly financial reports to the governing board and city staff including monthly and YTD budget to actual comparisons and a comparison to the same time last year by the 15th of the following month. Ending cash balances for all bank accounts should also be included with monthly information. An executive summary narrative should accompany the reports that highlight revenue and expenditure trends and any unusual or unexpected fiscal transactions.
3. Recommend budget amendments when necessary.
4. File required financial reports and certifications timely and accurately to the State and IRS.
5. Monthly bank statement reconciliations completed by the 15th of the subsequent month with backup requested by the Finance Officer including, but not limited, to General Ledger trial balance, documentation of reconciled items, and paid and outstanding check lists.
6. Reconciled items should be resolved and corrected in the ledger before the end of the subsequent month.



Monthly Financial Reports

Governing boards should expect and require monthly financial reports.

Budget-to-actual reports for significant funds, including the general fund and utility funds



Compared to prior year

Broken down by
function or department

GENERAL FUND				
	ACTUAL FY '18/19	ANNUAL BUDGET	ACTUAL TO DATE	Y-T-D % COLLECTED
REVENUES				
CURRENT YEAR LEVY OF PROPERTY TAXES	\$ 3,078,833	\$ 3,210,000	\$ 2,315,109	72%
MOTOR VEHICLE TAXES	245,850	240,000	148,280	62%
UTILITIES FRANCHISE TAXES	592,400	635,000	297,025	47%
LOCAL OPTION SALES TAXES	1,183,473	1,150,000	643,849	56%
FUND BALANCE APPROPRIATED	-	339,500	-	0%
ALL OTHER REVENUES	1,343,384	1,283,000	716,219	56%
TOTAL	\$ 6,443,941	\$ 6,857,500	\$ 4,120,483	60%
	ACTUAL FY '18/19	ANNUAL BUDGET	ACTUAL TO DATE	Y-T-D % SPENT
EXPENDITURES				
GOVERNING BODY	\$ 348,909	\$ 302,500	\$ 138,490	46%
ADMINISTRATION	796,621	778,500	432,445	56%
INSURANCE	904,496	1,106,000	556,043	50%
PUBLIC BUILDINGS	360,636	691,000	227,524	33%
POLICE	1,521,720	1,587,000	785,560	49%
FIRE	812,712	898,500	367,996	41%
PLANNING	396,071	408,500	122,424	30%
STREETS & HIGHWAYS	412,894			
SANITATION	223,233	276,500	111,065	40%
RECREATION	295,354	497,000	147,557	30%
DEBT SERVICE	262,338	312,000	60,352	19%
TOTAL	\$ 6,334,984	\$ 6,857,500	\$ 2,949,456	43%
			Without Debt Serv	44%
Y-T-D FUND BALANCE INC (DEC)	\$ 108,956		\$ 1,171,027	



Monthly Financial Reports

- Finance staff should explain any unusual transactions or amounts that are over/under performing against the budget.
- Governing boards should always know the financial state of the unit.
- Ask questions and follow up with the finance officer until you understand.



Download a financial summary template from the [LGC website](#).



Monthly Financial Reports

Timely, accurate financial reports allow governing boards to:

- Monitor the financial state of the unit and identify potential problems.
- Ensure adequate reserves are maintained to address emergency needs.
- Tailor budget amendments and future budgets to better match the needs of the unit.





Resources

- North Carolina Government Finance Officers Association
 - NC Finance Officers' Certification Program
- Sample Financial Summary
- Sample Bookkeeper Contract
- SLGFD Memo on Revised Fidelity Bond Requirements
- UNC School of Government Local Finance Bulletin: Impending Changes to Bonding requirements for Finance Officers



Resources



- UNC School of Government
 - NC Finance Connect
 - Finance Calendar of Duties
 - NC Local Government Finance 101
- NC League of Municipalities
- North Carolina Association of County Commissioners
- Government Finance Officers Association - Best Practices & Resources
- **Contact LGC Staff: (919) 814-4300**
- **Visit the LGC Website**
- **Sign up for the LGC Staff Blog**
- **Stay up to date with SLGFD Memos**



Quiz: Module 3

1. What is the amount for which the LGBFCA requires the finance officer to be bonded?
2. Who is responsible for preparing financial reports and supervising investments for the unit?
3. Who should always know the financial state of the unit?

