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## Department of State Treasurer

*State and Local Government Finance Division  
and the Local Government Commission*

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**Memorandum # 1111**

**October 20, 2008**

**TO: Local Government Officials and Certified Public Accountants**

**FROM: Sharon Edmundson, Director  
Fiscal Management Section**

**SUBJECT: Communicating with Your Board About Financial Issues**

Communicating to your Board members about the financial condition and issues faced by your unit of government is an essential part of the responsibilities of the finance and managerial staff of the unit. One of the best ways to communicate this information is to provide the Board, on a regular schedule, interim financial statements and schedules. Both the Finance Officer and the Board Members should be proactive about the presenting and reviewing of interim financials. The Board should realize the importance of financial updates and how these updates can assist it in making informed, sound financial decisions. The Local Government Commission staff (LGC) strongly recommends providing monthly interim financial statements to the Board.

### **Why Keep the Board Informed?**

Board members make financial decisions through the budget process and throughout the year. By keeping this up to date on the financial condition of the unit, they can make more informed decisions. For units that have findings in their annual audit, keeping the Board informed about the unit's finances may allow them to take action that will reduce or eliminate those findings. The ability to provide funding is an essential component in almost every facet of the Board's work. Overall policy that is set by the Board is affected by the financial condition of the unit of government. Another reason that Board members should be informed is that often Board members are the face of the local government to its citizens who expect Board members to be informed. Finally, the Local Budget and Fiscal Control Act speaks to providing interim financial information in G.S. 159-25; it requires that the staff provide this information as directed by the Board or the unit manager.

### **What Should Be Reported?**

What each unit decides to report to its Board is ultimately up to the staff and the Board. The LGC staff recommends that the following be considered to be included in the data presented: 1) current assets and current liabilities for all material funds; 2) total cash position for unit; and 3) revenues/expenditures with a budgetary comparison for material funds. Some units find it helpful to prepare executive summary with the supporting detail attached to the summary. If your unit chooses to do this, please make sure that the

summary includes enough data to give the reader a complete picture, as many times the reader may not move past the summary.

We have created a link on our website to assist local governments and entities with interim reporting. Though the reports are for informational purposes only and are not required to be submitted to the LGC we believe using these templates is a great starting point for Board communication. This link includes worksheets for calculating amounts such as Fund Balance Available, Reserved by State Statue, and Revenue Neutral Property Tax Rate (required in budget year of property evaluation.) A blank Budget to Actual and Cash flow analysis worksheet are also presented on this link along with samples that you can use to assist in preparation. Interim Reporting templates can be found by going to our website [www.nctreasurer.com](http://www.nctreasurer.com), scrolling over State and Local Government, clicking Auditing and Reporting Resources and selecting Interim Financial Reporting Templates.

Other data that should be presented include 1) a description of any material changes in financial condition that will affect the current or coming year budget; 2) any anticipated material changes in financial condition that will affect the current or coming year budget, and 3) any upcoming events that the finance officer is aware of that will materially alter the unit's financial condition. Some months there may not be anything to report in any of these areas while other months there may be significant data to be conveyed.

The Board should always be presented the results of the unit's annual audit. This should be done at a regularly scheduled public meeting of the Board and should be handled by the firm that prepared the audit. The auditor should review the basics regarding the audit, such as fund balance available, any over-expenditures noted, and any statutory violations that were found. Board members should be familiar with any findings noted in the audit including any statutory violations such that if a letter is issued by the LGC staff, the Board members are not surprised by the comments in the letter.

If you have any questions regarding this topic, please contact Alexia Forte at (919) 807-2393 or via email at [alexia.forte@nctreasurer.com](mailto:alexia.forte@nctreasurer.com).