



**2023 FISCAL ACCOUNTABILITY AGREEMENT (FAA)
BETWEEN THE TOWN OF SPRING LAKE AND
THE LOCAL GOVERNMENT COMMISSION**

This Unit Monitoring Agreement was made and entered into this 21st day of September 2022, between the Town of Spring Lake and the Local Government Commission

The monitoring established in this agreement is designed to continue in assisting the Town of Spring Lake in meeting its obligations and duties under the Local Government Budget and Fiscal Control Act. The terms of this agreement may be modified by the LGC based on the progress of the Town in complying with the requirements of this agreement.

This agreement was developed based upon concerns of the LGC, statutory failures by the Town, and on information discerned over the past year.

Monthly status updates on the progress of the Town in meeting the requirements of this agreement will be presented to the Local Government Commission at its regularly scheduled meetings. Town staff is invited to listen to the proceedings of the meeting and can find the meeting schedule and details on the Local Government Commission [website](#).

This agreement must be signed by all members of the governing board and other parties listed below and returned to LGC Staff by September 16, 2022.

Background:

LGC staff has worked with the Town for a number of years to address concerns related to the financial sustainability and fiscal management of the Town. Specifically, as noted in the prior FAA:

1. Audits not submitted timely in five of last five fiscal years (FY2020 three months late, FY2019 ten months late, FY2018 eighteen months late, FY 2017 four months late, and FY 2016 four months late).
2. Significant internal control deficiencies (lack of fiscal leadership, inadequate pre-audit process, lack of timely reconciliations, inadequate budget development processes (under budgeting salaries), and inadequate staff experience in accounting).
3. Budget over-expenditures (FY2019 11%, FY2020 23%) in addition to a large appropriation of fund balance.
4. Dramatic decreases in percentage of fund balance available for appropriation relative to expenditures over the last three years (2017 30.63% to 2020 -8.01%) due to budget over-expenditures.
5. Cash flow from operations in Water and Sewer Fund was negative in FY2019 and FY2020.
6. Budget over-expenditures in the Water and Sewer Fund, Public Safety Grants and Project Fund, The Recreation Capital Project Fund and the Water and Sewer Improvements Project.



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DEPUTY TREASURER

7. Lack of financial reporting to the board.

Goals for Unit that have been fully or partially satisfied :

1. Board Training is a high priority. The Board has received training. **Satisfied for 2022.**
2. Compliance with all budget preparation requirements as per statutes ([NCGS 159-10 to 159-13](#)). **Satisfied for 2023 budget year.**
3. Develop a well thought out FY2023 budget that is realistic in revenues and expenditure estimations, especially in salary and fringe benefit accounts. Document staff positions and salaries and confirm they are 100% covered in the FY2023 budget. **Satisfied for 2022 and 2023**
4. Develop an action plan to eliminate the current deficit and restore the fund balance in the General Fund to an appropriate level. This plan may need to be executed over a multi-year period. **Partially satisfied. Still waiting for 2022 audit. 2021 audit waived by LGC (Note: for unauditability without large expenditures for bookkeeping that the Town probably did not have).**
5. Get the financial records up to date. **Partially satisfied. FY2021-2022 records and FY2022-2023 records are up to date with the exception of beginning balances for 7/1/2021**
6. Once the financial records are up to date summary financial reports should be presented to the board on a monthly basis. **Satisfied**
7. Adherence to the FY2022 budget with no over expenditures in the General Fund or Enterprise Funds. **Satisfied with minor exceptions,**

Goals for Unit that have NOT been fully or partially satisfied :

1. Work collaboratively with the LGC staff to hire a permanent well qualified Manager that meets the qualification of [NCGS 160A-147](#) and can effectively perform the duties in [NCGS 160A-148](#).
2. Hire a permanent well qualified Finance Officer that will report directly to the manager effective with a change to the town charter.
3. Review all staff positions to eliminate any redundancy and promote labor efficiency. Document staff pay levels, salaries, and salary change approval process.

Specific goals & tasks for completion with due dates

1. **By October 1, 2022** - Conduct a facilitated planning session with the Board to focus on major priorities for the town, supported by a written action plan with specific tasks and due dates.
2. **By December 1, 2022** - Work collaboratively with the LGC staff to hire a permanent well qualified Manager that meets the qualification of [NCGS 160A-147](#) and can effectively perform the duties in [NCGS 160A-148](#). The candidate should have experience with a NC municipal government that was in good standing after his/her tenure.
3. **By January 1, 2023** - Complete financial audit for 2022 and adopt a fund balance policy for the Town.
4. **By January 15, 2023** - Hire a permanent well qualified Finance Officer that will report directly to the manager. The candidate should have local government experience in NC.



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- 5. **By February 1, 2023** – Update or develop, with qualified Manager oversight, written polices for
 - a. Ethics and Conflict of interest
 - b. Asset Management and Use of Town Assets
 - c. Revenue Receipt, Recordation and Deposit
 - d. Accounts Payable and Disbursement
 - e. Travel
 - f. Purchasing Procedures and Bidding Requirements
 - g. Fund Balance
 - h. Human Resource
- 6. **By April 1, 2023** – Hire permanent well qualified finance accounting staff (2-3 TBD) to manage the general ledger, receivables, accounts payable, reconciliations and audit preparation.

Consequences for Non-Compliance:

Failure to comply with the requirements of this agreement will result in the LGC continuing enforcement of NCGS 159-181(c) with continued control of the financial affairs of the Town.

Should you have any questions or concerns regarding this agreement, please feel free to contact me, or the monitoring team at LGCMonitoring@nctreasurer.com.

Sincerely,

Sharon Edmundson, MPA, CPA
Secretary, Local Government Commission

The Honorable Kia Anthony, Mayor
Sona Cooper, Alderwoman
Raul Palacios, Alderman
Joe Durham, Interim Manager
Robyn Chadwick, Alderwoman
Marvin Lackman, Alderman
Adrian Thompson, Alderwoman
David Erwin, Finance Officer