

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER



BRADFORD B. BRINER
STATE TREASURER OF NORTH CAROLINA

STATE AND LOCAL GOVERNMENT FINANCE DIVISION

What Happens After the Audit

Melissa Cundey
Senior Accounting & Financial Management Advisor
Fiscal Management Section



AUDIT SUBMITTED



AGENCY



RECEIVED



UNDER REVIEW



EVALUATING



The Reality

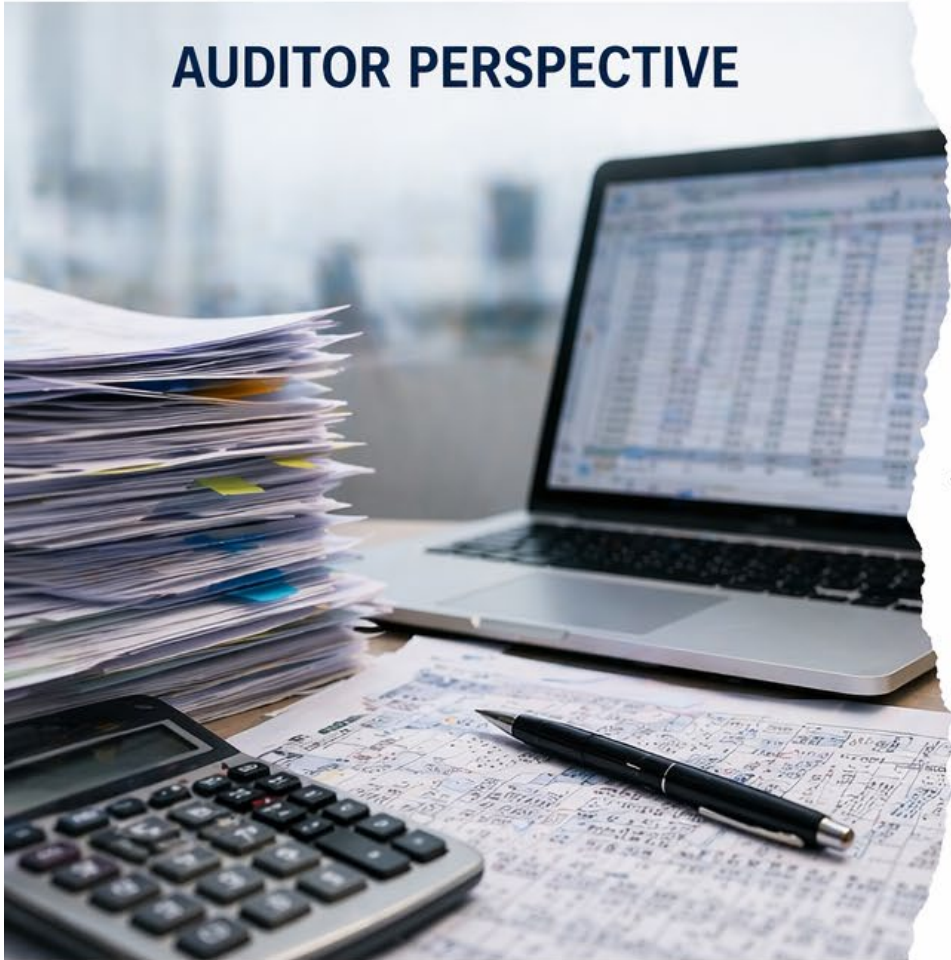
Months of work → Minutes of discussion





WHAT'S MISSING?

AUDITOR PERSPECTIVE



BOARD PERSPECTIVE





BOARD PERSPECTIVE



Opinion



Findings



Fraud





WHAT GETS MISSED?



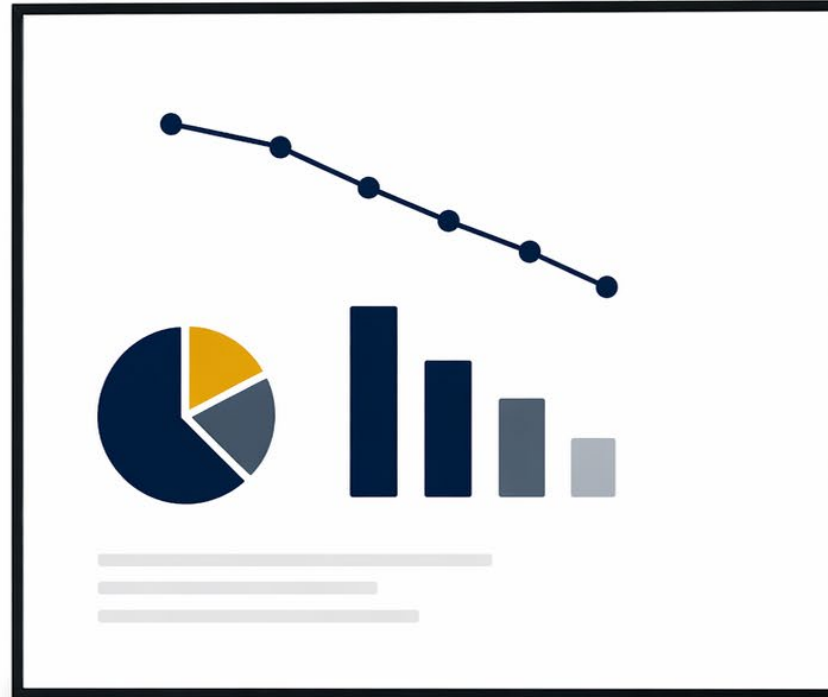
Trends



Fiscal health



Direction

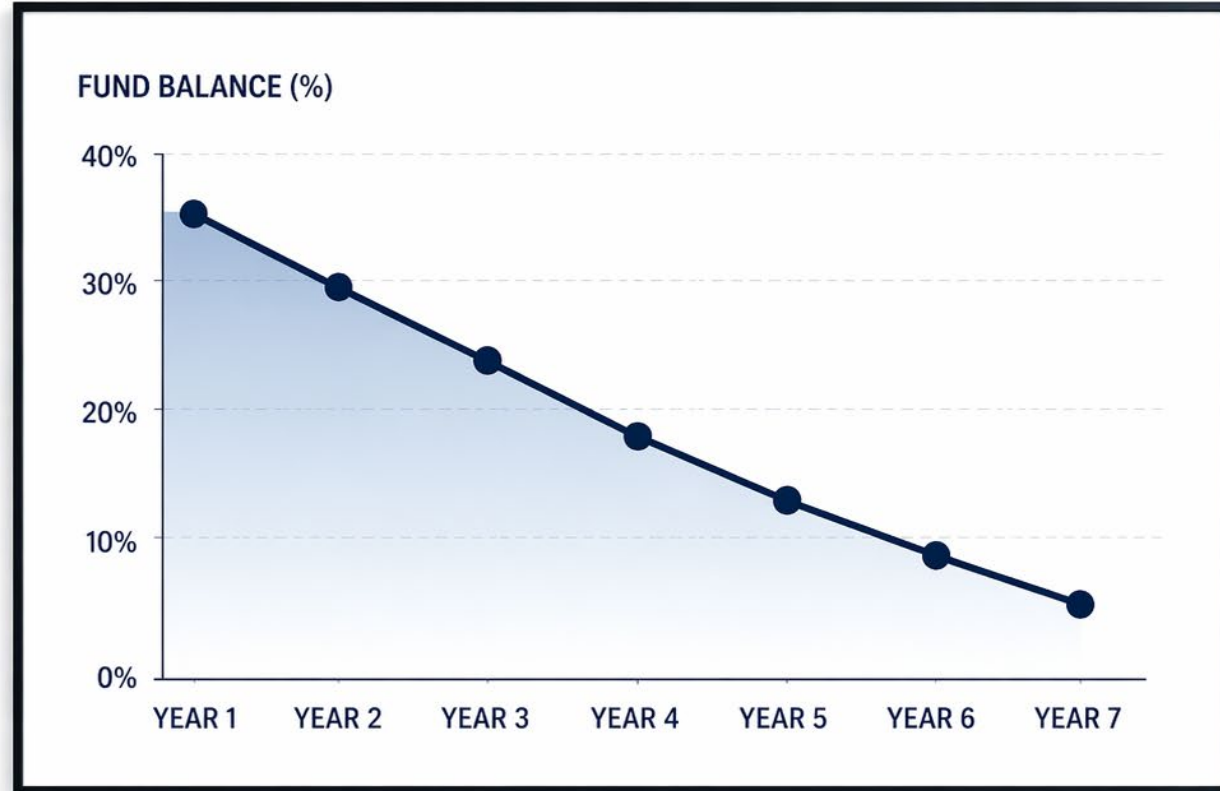




7 YEARS OF STRESS



Was there
fraud?





WHY THIS HAPPENS



LIMITED TIME

Full agendas.
Tight meetings.



COMPETING PRIORITIES

Many issues.
Tough trade-offs.



SIMPLE SIGNALS

Rely on summary data.
Draw quick conclusions.



THE REAL QUESTION

What is the financial condition?



FINANCIAL PERFORMANCE INDICATORS

Three key perspectives. One complete picture.



TRENDS

Over time



FISCAL HEALTH

Capacity & stability



DIRECTION

Where it's heading



ALREADY REQUIRED



Financial Performance Indicators



Indicators of Concern



Must be presented to
the governing board.

20 NCAC 03 .0502(c)(5)



Financial Performance Indicators

The self-reported information from your unit's audit report was used to generate the following trends and performance indicators. We have created this Performance Indicator tab to make these indicators available to auditors and local governments when your audit is conducted. Per [20 NCAC 03 .0508](#), the unit must submit a Response to the Auditor's Findings, Recommendations, and Fiscal Matters within 60 days from the auditor's presentation to the unit's governing board. The unit's response shall address each significant deficiency, material weakness and other audit finding presented to the governing body and shall provide a plan to address each Financial Performance Indicator of Concern reported to the governing body. Responses can be submitted via the [LGC File Transfer Portal](#).

Financial Performance Indicators

| Account # | Question | 2025 |
|-----------|---|------------|
| 980 | Date the auditor presented or plans to present Financial Performance Indicators of Concern (FPIC) to the Governing Board. | 04/21/2026 |

Summary

| Indicator Name | 2023 | 2024 | 2025 | Fail Condition | 2025 Status |
|---|------|------|------|----------------|-------------|
| Number of Financial Performance Indicators of Concern (FPICs) | 1 | 3 | 5 | Greater Than 0 | Fail |

General Fund

| Indicator Name | 2023 | 2024 | 2025 | Fail Condition | 2025 Status |
|---|-----------|-----------|-----------|------------------|-------------|
| Fund Balance Available as Percent of Expenditures & Transfers Out Without Powell Bill | 219.96% | 88.76% | 25.46% | Less Than 34.00% | Fail |
| Use of Fund Balance for Operations | No | No | No | Equal Yes | Pass |
| Total Fund Balance | \$638,933 | \$578,752 | \$578,484 | Less Than \$0 | Pass |



MAKE IT CLEAR

CLARITY IN COMMUNICATION



“2 indicators
of concern”



“Fund balance
declining for 3 years”

THE IMPACT



Better questions

More insight. Better conversations.



Earlier decisions

Spot trends sooner. Act faster.



Better outcomes

Stronger stewardship. Better results.



CLEAN OPINION \neq FINANCIALLY HEALTHY



CLEAN OPINION

-  Clean audit opinion
-  No findings



FINANCIAL HEALTH

-  Declining fund balance
-  Structural issues
(obligations > resources)



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Short-Term Stabilization

- **Reduce Personnel Costs** - Hiring freeze, eliminate vacant positions, limit travel/training, share staff across departments, voluntary part-time options, adjust staffing ratios, reduce service hours, furloughs (mandatory or voluntary), reduce benefit costs
- **Reduce Capital Spending** - Scale down projects, defer non-essential investments, improve project management oversight
- **Reduce Materials & Contractor Costs** - Cut maintenance/replacement standards, reduce paper and energy use, eliminate low-value processes, review software contracts, reevaluate subsidies
- **Improve Cash Flow** - Delay payments (within terms), identify consistent budget surpluses
- **Generate New Resources** - Adjust interfund charges, reallocate reserves, monetize assets (land/buildings), introduce or increase fees



Diagnosics

- **Purpose**

- Identify root causes
- Focus on issues with **high recovery leverage** (high impact, reasonable effort)

- **Approach**

- Involve cross-department management
- Build broader understanding and support

- **Forecasting**

- Short-term: 3–12 months
- Long-term: 3–5 years
- Develop a **financial health model**



| Water & Sewer Fund | | | | | |
|--|-------------|-------------|-------------|------------------------------|--------------------|
| Indicator Name | 2023 | 2024 | 2025 | Fail Condition | 2025 Status |
| Quick Ratio | 1,682.29 | 39.67 | 6,067.34 | Less Than 1.00 | Pass |
| Operating Net Income Excluding Depreciation; Including Debt Service Principal and Interest | \$22,684 | \$20,855 | (\$424,633) | Less Than \$0 | Fail |
| Unrestricted Cash as a Percentage of Expenses | 444.24% | 416.53% | 15.20% | Less Than 16.00% | Fail |
| Transfers in > 3% of Total of Operating and Non-Operating Expenses | \$5,517 | \$5,734 | \$110,346 | Less Than \$0 | Pass |
| Capital Assets Condition Ratio | 69.68% | 67.18% | 51.04% | Less Than or Equal To 50.00% | Pass |



— FINAL THOUGHT —

**THE AUDIT SHOULD BE
USED, NOT JUST RECEIVED.**



RECEIVED

Information
that sits.



USED

Information
that drives
decisions.