

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER



BRADFORD B. BRINER
STATE TREASURER OF NORTH CAROLINA

STATE AND LOCAL GOVERNMENT FINANCE DIVISION

Common Audit Review Issues and LOGOS Audit Module

Audit Contracts and Invoices
2025 Audit Review Communications and LOGOS Updates

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FINANCE DIVISION

Agenda

- Audit Contracts
- Invoicing for Audit work
- Common ARC Issues
 - NC General Statutes
 - LOGOS Data Input Report (DIR) Entry Errors
- 2026 Data Input Report (DIR) Additions
- LOGOS Updates

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Audit Contracts

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Audit Contracts

[LGC-205 Standard Audit Contract Rev. 02/2026](#)

[LGC-205 Amendment to Contract to Audit Accounts Rev. 08/2025](#)

Only these contract versions will be accepted for FY 2026 audits due to contract changes.

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Audit Contracts

- Auditor uploads signed contracts to the LGC File Transfer Portal so they will be date and time-stamped:
[Standard and Amended Audit Contracts | LGC File Transfer Portal](#)
- Engagement letter agreements between unit and auditor:
 - Conflicts between the terms of the engagement letter and the terms of the audit contract? The terms of the audit contract shall take precedence.

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Audit Contracts

[Instructions for Submitting Audit Contracts](#)

Changes to the FY 2026 Contract Form **Pages 1-5**

Area	What Changed
Financial Statements	GASB 103 updates – Paragraph 1
Audit Thresholds	Federal and State single audit thresholds have changed – Paragraph 2
Timing	Guidance for submissions beyond 6 months after FYE – Paragraph 6
Responsibility	Clarification of who is responsible for submitting the audit report per G.S. 159-34 and the Data Input Report (DIR) – Paragraph 14
Submission Certification	Finance officer must review and timely certify the DIR for accuracy and completeness before audit submission is accepted – Paragraph 14

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Audit Contracts

[Instructions for Submitting Audit Contracts](#)

Changes to the FY 2026 Contract Form **Pages 6-8**

Topic	Key Point
LGC Review	Audit contracts are reviewed by LGC staff
DPCU Requirements	Additional requirements may apply to DPCU audits
Amended Contracts	Needed if timing, scope, or fees change
Audit Invoice Payments	Do not pay invoices for audit work before invoice is clearly stamped with LGC approval. (G.S. 159-34(a) and 20 NCAC 03 .0505)

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Audit Contracts

- LGC staff must have completed review of the prior year audit, and all prior year invoices for audit work must be received and approved by LGC staff before the next fiscal year contract can be approved.
- Your audit contract is not valid until it is approved by the Secretary of the LGC.
 - Recommend audit work not begin until you have an approved audit contract.

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Audit Contracts

- Contracts must include:
 - The “Date the Audit Will Be Submitted to the LGC”
 - Date should be the actual date, not the past due date.
 - If the unit’s audit is not going to be submitted within 6 months of fiscal-year-end (Dec. 31 / Sept. 30 / etc.), provide a written explanation on Pg. 7 of the audit contract. (Contract Paragraph 6.)

Fiscal Year-End	Audit on time if received by	Audit is late if it is received on or after (Amended Contract Required)
30-Jun	31-Dec	1-Jan
31-Mar	30-Sept	1-Oct

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Audit Work Invoices

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Before Paying an Audit Invoice

- **Confirm the invoice presented for audit work payment includes LGC approval stamp.**
 - No LGC stamp = do not pay.
- [G.S. 159-34](#) – “It shall be unlawful for any unit of local government or public authority to pay or permit the payment of such bills or claims without this approval.”
- [20 NCAC 03 .0505](#) Audit Billings – “All invoices for services rendered in an audit engagement”

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Audit Work Invoices

- **Key Rule**
 - Approval is required only for fees for services rendered in an audit engagement: annual audit work.
 - Fees billed for audit work will be reviewed/confirmed with the audit contract.
 - Fees outside the audit scope should be agreed to and billed **separately**.
- **Payment Reminder**
 - Payment before approval is a violation of law pursuant to G.S. 159-34(a). (*G.S. 159-34 and 20 NCAC 03 .0505*)
 - LGCIInvoice@nctreasurer.gov

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Common ARC Issues

NC General Statutes

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G.S. 159-29 Fidelity bonds

Key Requirements

Finance officer must be bonded

A person may not serve as finance officer if they cannot obtain the required bond. The Bond must specify the board-appointed Finance Officer.

Minimum bond amount

Set by the governing board, but not less than the **greater** of: \$50,000 **or** 10% of original annually budgeted funds, up to \$1,000,000.

Annual review required

Review the required bond amount each budget season. Update the bond as required. Update the Risk Management note with the amount in place as of **July 1**.

Calculation reminder

Use annually budgeted funds only; do not include multi-year capital project ordinances.

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G.S. 159-29 Fidelity bonds

Public Housing Authorities G.S. 159-42(h)

“(h) Bonding of Employees. – The bonding requirements of G.S. 159-29 shall apply to the finance officer and those employees of the housing authority handling or having custody of more than one hundred dollars (\$100.00) at any one time or those employees who have access to the inventories of the housing authority.”

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Article 31 – The School Budget and Fiscal Control Act: G.S. 115C-442 Fidelity Bonds

G.S. 115C-442(a) – “The finance officer shall give a true accounting and faithful performance bond with sufficient sureties in an amount to be fixed by the board of education, not less than fifty thousand dollars (\$50,000). ...”

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G.S. 159-8

G.S. 159-8 Annual balanced budget ordinance.

“Each local government and public authority shall operate under an annual balanced budget ordinance adopted and administered in accordance with this Article. A budget ordinance is balanced when the sum of estimated net revenues and appropriated fund balances is equal to appropriations. ...”

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G.S. 159-13

G.S. 159-13 The budget ordinance; form, adoption, limitations, tax levy, filing.

(b)(1) “The full amount estimated by the finance officer to be required for debt service during the budget year shall be appropriated.”

(b)(6) “The estimated percentage of collection of property taxes shall not be greater than the percentage of the levy actually realized in cash as of June 30 during the preceding fiscal year. ...”

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G.S. 159-28

G.S. 159-28 Budgetary accounting for appropriations.

(a) Incurring Obligations

(a1) Preaudit Requirement (“This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act.”)

(b) Disbursements

(d)(1) “This disbursement has been approved as required by the Local Government Budget and Fiscal Control Act.”



Common ARC Issues

LOGOS: Data Input Report (DIR) Entry Errors

Current Liabilities Payable From Restricted Assets vs. Unearned Revenues

Government-Wide Financial Statements - Statement of Net Position		LIABILITIES	
Governmental Activities		Accounts Payable and Accrued Liabilities	23,100,471
Account#	Question	Internal Balances	701,422
627	Please enter any bond anticipation notes that are classified as above (amounts entered should agree to the current amount in note)	Accrued Bond Interest	1,573,966
628	Please enter any compensated absences that are classified as above (amounts entered should agree to the current amount in note)	Retainage Payable	3,755,899
629	Please enter any pension liabilities that are classified as current (amounts entered should agree to the current amount included in the changes to long-term debt note)	Advance from Customers	727,823
630	Please enter any current liabilities that are payable from restricted assets and included in account 626 above	Unearned Revenues	5,294,189
631	Please enter any OPEB liabilities that are classified as current liabilities and included in account 626 above (amounts entered should agree to the current amount included in the changes to long-term debt note)	Deposits	514,914
632	Please enter any landfill closure/post-closure liabilities that are classified as current liabilities and included in account 626 above (amounts entered should agree to the current amount included in the changes to long-term debt note)	Arbitrage Payables	2,148,218
338	Total Liabilities Include: Total deferred inflows. Negative internal balances reported in account 576.	Miscellaneous	-
335	Unearned revenues that were included in current liabilities in your audit report or entered in acct # 626 above. Exclude - unearned revenues that are listed in deferred inflows.		

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Total Current and Non-current Portion of Debt

Notes to the Financial Statements - Changes in Long-Term Liability		2024	2025
Account#	Question		
337	Total current and non-current portion of Debt. Include: Bonds, Bond anticipation notes, Capital leases, Premiums and discounts, Installment purchases. Exclude: Compensated absences, Pensions, Other Post-Employment Benefits (OPEB), Debt within the primary government, Amounts due to participants from internal service funds, Landfill closure/post-closure liability, Any other debt not directly related to long-term contracts.	\$22,620,053	\$25,784,981
343	Decreases made (principal paid) on Long-Term Debt in current fiscal year. Reduce for debt refunding.	\$3,944,924	\$3,536,299

Long-Term Debt Summary

	Beginning Balances	Additions	Retirements/ Adjustments	Ending Balances	Due Within One Year
Governmental Activities					
General obligation debt	\$ 7,838,754	\$ -	\$ 898,754	\$ 6,940,000	\$ 665,000
Premium on bonds	561,213	-	70,526	490,687	70,526
Notes payable	14,027,653	6,543,040	2,492,108	18,078,585	3,169,625
Lease liabilities	151,842	117,809	70,066	199,585	83,806
Subscription liabilities	40,591	110,904	75,371	76,124	38,837
Net pension liability (LGERS)	15,249,715	-	1,007,634	14,242,081	-
Total pension liability (LEO)	3,886,807	243,379	-	4,130,186	162,535
Total OPEB liability	6,354,139	265,668	-	6,619,807	-
Compensated absences	2,251,791	73,078	-	2,178,713	632,331

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Revenue Bonds

- Long term debt note in the “Notes to the Financial Statements” - Revenue Bond Debt – required disclosures must be included
 - Required by LGC-205 Audit Contract (Paragraph 11) – If the Governmental Unit(s) has/have outstanding revenue bonds, the Auditor shall submit to LGC Staff, either in the notes to the audited financial statements or as a separate report, a calculation demonstrating compliance with the revenue bond rate covenant. Additionally, the Auditor shall submit to LGC Staff simultaneously with the Governmental Unit’s (Units’) audited financial statements any other bond compliance statements or additional reports required by the authorizing bond documents, unless otherwise specified in the bond documents.
- [2025 City Illustrative Statements](#) - Start on page 76

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Revenue Bonds

\$1,000,000 Water and Sewer Revenue Bonds, Series 2020, issued for Water and Sewer system improvements. Principal installments are due Annually on June 1 with semiannual interest payments due on December 1 and June 1, with interest at 5.25%.

\$906,923

The City is in compliance with covenants as to rates, fees, rentals, and charges in Section 704 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2020. Section 704(a) of the Bond Order requires the debt service coverage ratio to be no less than 1.0 times as defined. The debt service coverage ratio calculation for the year ended June 30, 2025, is as follows:

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2026	\$ 34,339	\$ 47,613	\$ 81,952
2027	36,142	45,810	81,952
2028	38,039	43,913	81,952
2029	40,036	41,916	81,952
2030	42,138	39,814	81,952
2031-2035	233,666	92,119	325,785
2036-2040	238,743	89,067	327,810
2041-2045	243,820	86,015	329,835
	<u>\$ 906,923</u>	<u>\$ 486,267</u>	<u>\$ 1,393,190</u>

Operating revenues	\$1,544,284
Operating expenses*	916,343
Operating income	367,306
Nonoperating revenues (expenses)**	12,167
Income available for debt service	379,473
Debt service, principal and interest paid (Revenue bond only)	\$ 75,952
Debt service coverage ratio	4.99

* Per rate covenants, this does not include the depreciation expense of \$260,635.

** Per rate covenants, this does not include revenue bond interest paid of \$49,326.

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$1 million in water and sewer system revenue bonds issued in December 2020. Proceeds from the bonds provided financing for the extension to the second water and sewer plant on Cardinal Lane. The bonds are payable solely from water and sewer customer net revenues and are payable through 2045. Annual principal and interest payments on the bonds are expected to require less than 6% of operating revenues. The total principal and interest remaining to be paid on the bonds is \$1,393,190. Principal and interest paid for the current year and total customer operating revenues were \$75,952 and \$1,544,284, respectively.

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Transfers Statement of Activities

386	Total Transfers In (Please do not net transfers-in against transfers-out)	\$0	\$0	\$5,986 + \$4,827 = \$10,813
387	Total Transfers Out (Please do not net transfers-in against transfers-out)	\$0	\$0	\$97,400

Transfers to other funds on June 30, 2025, consist of the following:

General revenues:			General Fund (major)	
Taxes:			To Parking and Recreation Fund (major)	\$ 208,400
Property taxes, levied for general purpose	968,186	-	To Water & Sewer Capital Projects Fund (non-major)	97,400
Other taxes	24,127	-		
Grants and contributions not restricted to specific programs	918,908	-	Electric Fund (major)	
Unrestricted investment earnings	24,656	40,218	To General Fund (major)	5,986
Miscellaneous	73,836	-		
Extraordinary Item: Gain on insurance recovery	-	1,281,046	Water and Sewer Fund (major)	
Total general revenues not including transfers	<u>2,009,713</u>	<u>1,321,264</u>	To General Fund (major)	4,827
Transfers	<u>(86,587)</u>	<u>86,587</u>	Total	<u>\$ 316,613</u>
Total general revenues and transfers	<u>1,923,126</u>	<u>1,407,851</u>		



Transfers Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund

17	Total Transfers In (Please do not net transfers-in against transfers-out)	\$7,056	\$0	\$5,986 + \$4,827 = \$10,813
20	Total Transfers Out (Please do not net transfers-in against transfers-out)	\$383,537	\$0	\$208,400 + \$97,400 = \$305,800

OTHER FINANCING SOURCES (USES)

Transfers from other funds	10,813
Transfers to other funds	(305,800)
Sales of capital assets	5,000
Insurance recovery	325,000
Installment purchase obligations issued	-
Lease liabilities issued	34,840
IT subscription agreement	48,781
Total other financing sources (uses)	<u>118,634</u>
Net change in fund balance	(131,292)
Fund balances - beginning	631,661
Change in reserve for inventories	82
Fund balances - ending	<u>\$ 500,451</u>

General Fund (major)	
To Parking and Recreation Fund (major)	\$ 208,400
To Water & Sewer Capital Projects Fund (non-major)	97,400
Electric Fund (major)	
To General Fund (major)	5,986
Water and Sewer Fund (major)	
To General Fund (major)	4,827
Total	<u>\$ 316,613</u>



Transfers Notes to the Financial Statements

Transfer Note			
Account#	Question	2024	2025
371	Amount of Transfers from the General Fund to the Debt Service Fund (Enter as positive)	\$0	\$0
1075	Transfers from General Fund to Water and Sewer Fund.	\$0	\$0
1076	Transfers from Water and Sewer to General Fund.	\$0	\$0
1077	Amount transferred from the Water and Sewer Fund to Water and Sewer Capital Project Funds. This may be contained within the Water and Sewer Fund: Statement of Revenues, Expenses and Changes in Fund Net Position or Notes to Financial Statements.	\$2,395,412	\$2,751,484

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Water and Sewer - Schedule of Revenues and Expenditures Budget and Actual

Water and Sewer - Schedule of Revenues and Expenditures Budget and Actual			
Account#	Question	2024	2025
541	Amount of Water Sewer revenues and other financing sources over expenditures and other uses Exclude: All transfers and capital contributions Capital Project funds This schedule is usually found behind the notes and should be entered as a positive or negative as indicated on your audit report	\$777,700	
		\$6,987,547 + \$38,032 = \$7,025,579	
Revenues over (under) Expenditures		(2,957,220)	6,987,547
Other Financing Sources (Uses)			
Transfer to Utility Capital Projects Funds		(1,846,300)	(1,846,300)
Transfers to Utility Capital Reserve Fund		(1,053,746)	(905,184)
Transfers from Utility Capital Reserve Fund		65,627	65,627
Sale of capital assets		10,000	38,032
Other Financing Sources (Uses), Net		(2,824,419)	(2,647,825)
Fund balance appropriated		5,781,639	-
Revenues and Other Financing Sources over Expenditures		<u>\$ -</u>	<u>\$ 4,339,722</u>

***Transfers are not included**

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2026 Data Input Report (DIR) Additions LOGOS Updates

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Audited Financial Statement Upload

- Starting in FY 2026, audited financial statements will be uploaded directly into LOGOS.
- The first question on the auditor provided data tab (previously the transmittal document tab) will be a line to upload the PDF of the audited financial statements.
- Only PDF will be accepted.
- Audited financial statements for FY 2025 and earlier still go through the LGC File Transfer Portal.

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Finance Officer Review and Sign Off

- Finance officer must sign off on the DIR before submission.
- New certification checkbox added in LOGOS.
- The finance officer must check this box before the DIR can be submitted.
- The entire DIR must be complete before the finance officer can submit the DIR.
- Finance officers need to prepare ahead of time.
- Make sure finance officers have LOGOS access so there is no submission delay.
- New finance officers need to go to the update portal to update their information: [Finance Officer Updates · LGC File Transfer Portal](#)

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Audit Submission Date

- With the new submission process for the audited financial statements and DIR, the way the submission date is determined has been changed.
- For an audit to be considered submitted, the following must occur:
 - A PDF of the audited financial statements must be uploaded into LOGOS.
 - The “Auditor Provided Data” tab of the DIR must be completed by the auditor, saved, and validated by LOGOS.

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Reminder Emails

- LGC staff will send automated reminders in the month audits are due if the audit has not been submitted in LOGOS.
- Notifications will go to both units and auditors.
- Notices of Noncompliance will be issued pursuant S.L. 2023-59 ([SB 299](#)) via mail if audits are not submitted within nine months of fiscal year end.

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New Questions – Finance Officer Bond

- The Finance Officer Bond required more ARCs than any other question on the DIR.
- For FY 2026 submissions, LOGOS will now ask for the actual FO Bond amount.
- System will compare bond to annually budgeted expenditures automatically.
- If the bond appears insufficient, LOGOS will flag it as an error.
- The hope is that this new question reduces follow-up clarification requests and decreases turnaround time for reviews.

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Housing Authority Questions

- We will have two new questions specific to housing authorities:
 - We will ask about FO Bond compliance with G.S. 159-29, same as the other units.
 - We will ask if the budget to actual schedules are included for all annually budgeted funds.
- These questions will ensure consistency with regulatory and reporting requirements.

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Public Posting of Reports

- All stamped audited financial statements, beginning with FY 2020, will be posted on a public website.
- Beginning with FY 2025 DIRs, all submitted DIRs, which include the financial performance indicators, will also be posted on the public website.
- This will increase transparency and accessibility of financial information.

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Applicable General Statutes and Administrative Code

NC General Statute

- [G.S. 159-8. Annual balanced budget ordinance.](#)
- [G.S. 159-13. The budget ordinance; form, adoption, limitations, tax levy, filing. \(b\)\(1\)](#)
- [G.S. 159-28. Budgetary accounting for appropriations.](#)
- [G.S. 159-29. Fidelity bonds.](#) and [G.S. 115C-442 Fidelity bonds.](#)
- [G.S. 159-34. Annual independent audit; rules and regulations.](#)

Administrative Code

- [20 NCAC 03 .0502](#) – Audit Contracts
- [20 NCAC 03 .0505](#) – Audit Billings