

# MUNICIPAL FINANCE

## From Transactions to Trust

A practical financial management workshop for small municipal governments

The information provided here is for informational and educational purposes and current as of the date of publication. The information is not a substitute for legal advice and does not necessarily reflect the opinion or policy position of the Municipal Association of South Carolina. Consult your attorney for advice concerning specific situations.

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### UR Consulting Services, LLC

*Strategic Financial Leadership. Lasting Organizational Impact.*

Practical systems. Clear accountability. Stronger communities.

## What success looks like today

Five outcomes you can take back to your municipality

### See the whole cycle

Connect the budget, transactions, close, reporting, and audit.

### Protect public dollars

Use practical controls even when staff capacity is limited.

### Read the story

Know what your monthly financial statements are telling you.

### Manage cash early

Forecast before cash becomes a crisis.

### Build audit readiness

Make year-end the final step, not a rescue mission.

# The Municipal Finance System

One connected cycle, not isolated tasks

## The municipal financial management cycle

A strong year-end starts with disciplined daily work



## MUNICIPAL FINANCE REQUIREMENTS

Key South Carolina Requirements for Municipal Governments



### BUDGET REQUIREMENTS

- Prepare and adopt an annual balanced budget.
- Budget must be adopted by ordinance before the beginning of the fiscal year (**SC Code 5-7-250 / 5-7-260**).
- Hold a public hearing on the budget with proper notice published (**SC Code 5-7-250 / 5-7-260**).
- Operate within the adopted budget and amend by ordinance when necessary.



### AUDIT REQUIREMENTS

- Annual audit required by an independent CPA in accordance with Generally Accepted Auditing Standards (**SC Code 5-7-240**).
- Audit report must be submitted to the State Treasurer and made available to the public.
- Failure to file required audits may result in withholding of state revenue distributions.



### RECORDS RETENTION REQUIREMENTS

- Follow the South Carolina Department of Archives and History General Records Retention Schedule for Municipal Records (Revised 2026).
- Retain financial records (general ledger, budgets, audit reports, bank records, etc.) for the period required by the schedule.
- Retain permanent records (ordinances, deeds, minutes, bonds) permanently.
- Ensure records are stored securely and are readily accessible for audit and public inspection.



### HELPFUL RESOURCES

- SC Code of Laws: [www.sctatehouse.gov/code](http://www.sctatehouse.gov/code)
- SC Office of the State Treasurer: [www.treasurer.sc.gov](http://www.treasurer.sc.gov)
- SC Department of Archives & History: [scah.sc.gov/records-management/schedules](http://scah.sc.gov/records-management/schedules)



### ACT 71 ALLOWS FOR THE COMPILATION OF FINANCIAL STATEMENTS

Act 71, passed by the General Assembly in 2023, allows cities and towns that have less than \$500,000 in total recurring revenues the option of providing a compilation of financial statements, rather than a full audit, to the SC Office of the State Treasurer, but this new law comes with its own requirements. The Municipal Association of SC has a resource to help municipalities understand how to comply with the new law.

Before Act 71, SC Code Section 5-7-240 required all municipalities to submit an audit within 13 months of the municipality's fiscal year, no matter the population size or budget size of the municipality. Those that did not submit the required audit could have all state payments, including Local Government Fund payments, withheld until the State Treasurer's office received the audit.

However, cities and towns with smaller budgets faced difficulty affording an audit, and so the Municipal Association advocated for a bill allowing a less-expensive compilation of financial statements as an alternative that would still provide transparency in how they spend their funds.

- Municipalities that pursue this option under Act 71 must still have the compilation be prepared by an independent certified public accountant or firm of CPAs, as well as other minimum agreed-upon procedures.
- They must provide the compilation either every year if they have a court system, or every three years if they do not have a court system.

The resource provides all of Act 71's requirements, as well as the contact information for the CPA firms currently on state contract.

Always consult the most current state laws and guidance. This information is for general guidance and not legal advice.

PLAN • MANAGE • REPORT • IMPROVE

## Funds are separate accountability buckets

The question is not only “Do we have cash?” but “Whose cash is it and what may it fund?”

### Governmental funds

General, special revenue, capital projects, debt service, and permanent funds. Focus: current financial resources and budgetary accountability.

### Proprietary funds

Enterprise and internal service funds. Focus: business-type activities, full accrual, and operating sustainability.

### Fiduciary activities

Resources held for others. These do not belong to the municipality for its own programs.

## Practical example

**A \$200,000 grant in the bank does not automatically solve a General Fund cash shortage. The grant may be restricted to a specific project, period, or purpose.**

Manage each fund’s resources, restrictions, budget, and results separately, then reconcile the whole organization.

## Build a financial operating rhythm

Assign an owner, a due date, and evidence of completion

### Daily / Weekly

Post receipts and payments  
Review cash position  
Deposit promptly  
Approve invoices and payroll

### Monthly

Reconcile banks and cards  
Close the ledger  
Review budget to actual  
Reconcile receivables, payables, grants, payroll

### Quarterly

Update cash forecast  
Review grants and capital projects  
Review payroll filings  
Assess budget amendments

### Annual

Adopt budget  
Inventory assets  
Prepare audit schedules  
Issue financial reports  
Update policies and training

# 02

## Budgeting and Cash

Turn community priorities into an executable financial plan

### A budget is a management process, not a spreadsheet

Start with service priorities and force the assumptions into the open

#### 1. Set priorities

Connect goals to dollars.

#### 2. Build assumptions

Document revenue, vacancy, benefit, fuel, inflation, and timing assumptions.

#### 3. Department requests

Require quantities, rates, outcomes, and timing.

#### 4. Challenge and balance

Separate recurring from one-time items.

#### 5. Public review and adoption

Explain tradeoffs in plain language.

#### 6. Load, monitor, amend

Report variances and act before year-end.

## Example: challenge the budget request

Illustrative Public Works request, not actual municipal data

| Request       | Weak support | Stronger support                                                                    |
|---------------|--------------|-------------------------------------------------------------------------------------|
| Street repair | \$150,000    | 3.0 lane-miles × \$45,000 + \$15,000 contingency                                    |
| Fuel          | \$72,000     | 12 vehicles × 1,000 gallons × \$6.00 planning rate                                  |
| New position  | \$58,000     | \$44,000 salary + \$14,000 estimated benefits; July 1 start                         |
| Equipment     | \$90,000     | Quote range \$84,000–\$90,000; one-time capital item; replacement schedule attached |

**The stronger request tells council what is being purchased, how the amount was calculated, when it will occur, and whether it is recurring.**

## Manage variances while there is still time

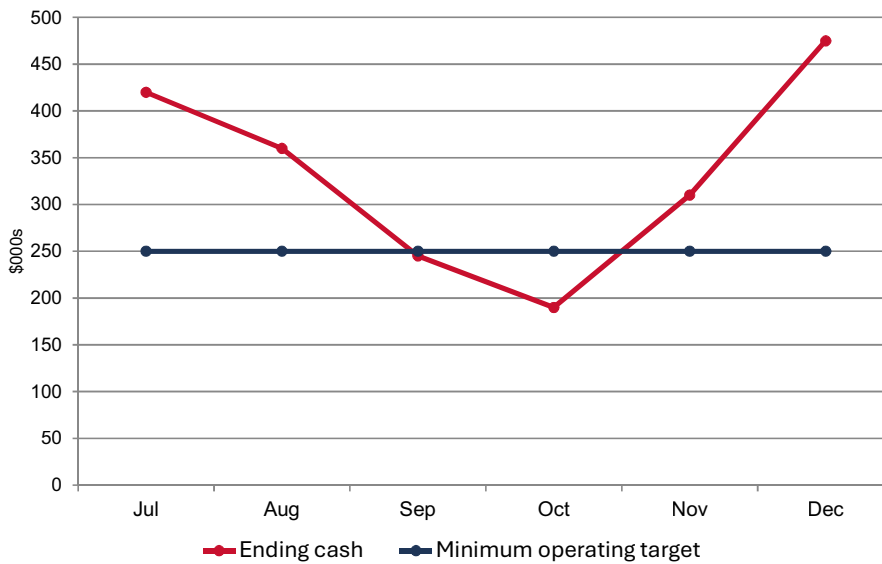
A variance report should trigger questions, ownership, and action

| Line item         | Annual budget | YTD budget | YTD actual | Variance   | Action                        |
|-------------------|---------------|------------|------------|------------|-------------------------------|
| Business licenses | \$240,000     | \$160,000  | \$135,000  | (\$25,000) | Reforecast collections        |
| Police overtime   | \$96,000      | \$64,000   | \$82,000   | (\$18,000) | Review staffing and events    |
| Repairs           | \$120,000     | \$80,000   | \$51,000   | \$29,000   | Confirm timing, not “savings” |
| Grant revenue     | \$300,000     | \$200,000  | \$110,000  | (\$90,000) | Check reimbursement backlog   |

- Timing variance: expected to reverse later.
- Permanent variance: changes the year-end result.
- Documentation variance: activity occurred, but billing or posting is behind.

## Cash flow answers a different question than the budget

The budget authorizes; the forecast tells you when cash becomes available or constrained



### What drives the dip?

Debt payment, insurance renewal, payroll timing, capital spending, and delayed reimbursements.

### What do we do now?

Sequence purchases, accelerate billing, confirm transfers, and communicate before cash is tight.

*Illustrative data*

## 03

## Controls for Small Teams

Design compensating review when perfect separation is impossible

## Remember ARC: Approval, Recording, Custody

Do not let one person control all three parts of a transaction



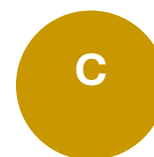
### Approval

Who authorizes the transaction?



### Recording

Who enters it in the accounting records?



### Custody

Who controls cash, checks, cards, or assets?

**Small staff solution: add an independent monthly review of bank reconciliations, vendor changes, payroll changes, and electronic payments.**

## Example: two-person finance office

A workable assignment model with management oversight

| Process             | Finance clerk                     | Finance director / administrator    | Independent review                              |
|---------------------|-----------------------------------|-------------------------------------|-------------------------------------------------|
| Cash receipts       | Prepare deposit; log receipts     | Post deposit or review posting      | Compare bank deposit to receipt log             |
| Payments            | Enter invoice; prepare payment    | Approve invoice and release payment | Review disbursement listing and bank statement  |
| Payroll             | Prepare changes and payroll input | Approve payroll register            | Review payroll changes and tax filings          |
| Bank reconciliation | Prepare reconciliation            | Review and sign                     | Council/treasurer reviews summary or statements |
| Vendor master       | Request or enter change           | Approve supporting documents        | Review change report and first payment          |

## High-risk processes need visible controls

Focus limited staff time where loss or error would matter most

### Cash receipts

Numbered receipts; daily log; prompt deposit; bank comparison

### Electronic payments

Dual approval; callback for banking changes; payment limits; alert review

### Credit cards

Cardholder agreement; receipts; coding; supervisor approval; monthly reconciliation

### Payroll

Authorized personnel changes; register approval; direct deposit change review

### Procurement

Approval thresholds; quotes/bids; conflict disclosure; contract authority

### Journal entries

Support; preparer and approver; restricted posting access; monthly review

## 04

## Close, Reporting, and Decisions

Turn accounting activity into useful management information

## A disciplined month-end close creates reliable reports

Use a checklist, assign due dates, and document unresolved items

- ✓ Post all receipts and invoices
- ✓ Reconcile every bank and credit card account
- ✓ Reconcile payroll liabilities and benefits
- ✓ Reconcile receivables, payables, grants, and interfund balances
- ✓ Record accruals, deferrals, depreciation, and corrections as applicable
- ✓ Review unusual, negative, stale, or suspense balances
- ✓ Produce and review the reporting package
- ✓ Lock the period after approval

## Your monthly reporting package should answer five questions

Keep it concise enough to review and strong enough to support action

- |   |                                               |                                                                        |
|---|-----------------------------------------------|------------------------------------------------------------------------|
| 1 | <b>What do we own and owe?</b>                | Balance sheet / statement of net position                              |
| 2 | <b>Are revenues and expenditures on plan?</b> | Budget-to-actual by fund and department                                |
| 3 | <b>What happened to cash?</b>                 | Bank balances and cash-flow forecast                                   |
| 4 | <b>Where are the risks?</b>                   | Grants, capital projects, debt, payroll, court remittances, compliance |
| 5 | <b>What decisions are needed?</b>             | Forecast changes, transfers, budget amendments, corrective actions     |

## Example: one-page finance dashboard

Illustrative amounts and indicators

General Fund cash

**\$475,000**

↑ \$85K

Unassigned fund balance

**\$620,000**

2.4 months

Revenue variance

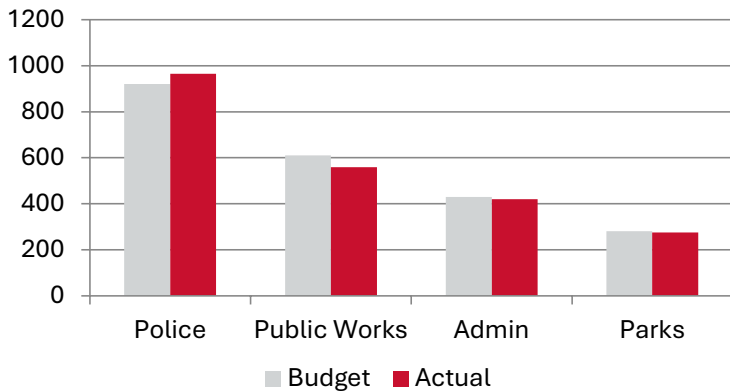
**(\$25,000)**

Unfavorable

Expenditure variance

**\$11,000**

Favorable



### Management actions

- Review police overtime drivers.
- Reforecast license revenue.
- Submit grant reimbursement package.
- Bring budget amendment to council.

## 05

## Audit Readiness and Compliance

Create the file while the transaction is still fresh

## Audit readiness is a year-round practice

The audit should verify an organized process, not reconstruct one

### Before year-end

- Confirm auditor timeline and request list
- Resolve old reconciliations and suspense items
- Review capital assets, debt, grants, and commitments

### At year-end

- Close all funds consistently
- Prepare lead schedules tied to the ledger
- Compile ordinances, minutes, contracts, confirmations, and support

### During fieldwork

- Use one request tracker
- Assign owners and due dates
- Answer completely; retain final support
- Track proposed entries and findings

### After issuance

- Present results to council
- Create corrective action plans
- Assign owners and target dates
- Update policies, training, and close procedures

## South Carolina compliance: build a current checklist

Requirements can change; verify applicability and due dates for your municipality

### Annual reporting

The State Treasurer states that municipalities generally submit annual audits, while certain qualifying municipalities may submit compilations under applicable law.

### Submission timing

The State Treasurer states municipalities are allowed 13 months from fiscal year-end to provide audited financial statements and that extensions are not accepted.

### Records retention

Use the South Carolina Department of Archives and History General Records Retention Schedule for Municipal Records, revised in 2026.

**Do not rely on an old checklist. Assign someone to verify current audit, court, remittance, budget, procurement, grant, payroll, debt, and records requirements each year.**

*Training content is general guidance and is not legal advice.*

## Records management is part of financial control

Keep evidence organized, secure, accessible, and disposed of under an authorized schedule



- Name files consistently by fiscal year, fund, vendor or project, and transaction type.
- Retain approvals, invoices, bids, contracts, payroll support, bank evidence, grant documentation, and reconciliation review.
- Apply legal holds and authorized retention schedules before deletion or destruction.
- Document destruction and protect confidential information throughout the record life cycle.

## Your 30-day municipal finance reset

Start with the highest-risk gaps, assign owners, and document completion

| Week | Action                                                                                                 | Evidence                                    |
|------|--------------------------------------------------------------------------------------------------------|---------------------------------------------|
| 1    | Map bank accounts, funds, grants, debt, cards, payroll, court activity, and key deadlines.             | Finance system map and compliance calendar  |
| 2    | Complete overdue reconciliations; review user access, vendor changes, and electronic payment controls. | Signed reconciliations and access review    |
| 3    | Issue a concise monthly report with budget-to-actual, cash forecast, risks, and actions.               | Management reporting package                |
| 4    | Build the audit request tracker; update close checklist and core written procedures.                   | Audit readiness file and updated procedures |

**Pick three commitments before you leave:**

**ONE reconciliation • ONE control • ONE report improvement**

# **Strong finances are not just about clean books.**

They are about public trust, reliable services, informed decisions, and sustainable communities.

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**Questions and discussion**