



NORTH CAROLINA LEAGUE OF MUNICIPALITIES

Municipal Accounting Services Program

ABOUT THE NORTH CAROLINA LEAGUE OF MUNICIPALITIES



The North
Carolina League

of Municipalities (NCLM) is a member-driven organization representing the interests of cities and towns statewide. NCLM provides advocacy, consulting, legal assistance, insurance, training, and other information to advance its mission. Overall, the organization has 540 member municipalities that are, through their collective efforts, better able to work together for a better North Carolina.

Summary

The Municipal Accounting Services (MAS) program that NCLM provides was developed to improve the financial accountability of smaller, often rural cities and towns in the State of North Carolina. By working directly with staff from these organizations, MAS provides small governments participating in the program with a standardized chart of accounts, a set of best practices related to budgeting and accounting responsibilities, and a common financial software system that is provided to the city or town at no cost through a grant for the first three years. Understanding that financial knowledge is a critical key to keeping a town fiscally healthy over the long-term, NCLM also developed training for the governing boards and

management of these towns to provide the elected officials with an increased appreciation for their fiscal responsibilities under the state's general statutes.

Challenges of small governments

Like other governments across the United States, small, rural communities in North Carolina have struggled to meet state and national accounting requirements. Limited resources combined with complex requirements are difficult to overcome in the best of times. For example, local governments in North Carolina are required to have a full GAAP audit performed annually, but in the current environment, staff turnover presents issues. In rural areas, especially, it can be difficult to attract and retain qualified finance



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and accounting staff—a problem made more difficult because many small governments have a finance team of one. In addition, limited IT budgets may not cover the investments necessary for accounting systems to stay current. This can result in a failure to keep accounting records current, which leads to year-end delays in audits and preparing financial statements. Chris Nida, NCLM’s director of technical assistance for cities, said, “We found that many cities were running accounting systems that were not even equipped to meet governmental accounting standards. All of this makes it difficult if not impossible for management and governing boards to have current financial information that they need to properly manage the organization.”

The state treasurer’s most recent unit assistance list included 138 local governments, mostly smaller, rural municipalities that were “on watch.”

This means that of the 551 municipalities in the state, one out of every four was formally identified by the monitoring state agency as having some sort of fiscal concern. “The problem is even more prevalent with the small governments, and that is why this program has so much potential,” Nida said. “Many simply can’t afford resources to take on the challenge by themselves.”

Ongoing debate on how to help

NCLM and other organizations in the state had studied the financial needs of smaller governments for some time and, while training and other assistance efforts had helped, basic bookkeeping problems and continued difficulties with attracting accounting expertise in the rural areas still called for a broader solution. The MAS program, funded by a State of North Carolina grant made possible by the American Rescue Plan

Act (ARPA), made a broader solution possible.

NCLM was able to provide a common accounting system for all participants and to develop supporting resources around this shared experience. Initially, a survey was sent out to cities and towns with populations of less than 2,500 to determine whether there was interest in the proposed program. Perry James, senior consultant for MAS, said, “When we sent out the survey, we immediately received replies from approximately 100 towns, with over half expressing a high interest in what was being proposed. That gave us the information we needed to move forward.” NCLM issued an RFP for financial accounting software, with key characteristics desired including a government-specific character, intuitive design, and high level of customer service. The League’s RFP committee chose Black Mountain Software, as its

initial software partner, and following the selection, the League focused its efforts on recruiting and hiring experienced accounting assistance staff to help the member towns implement it.

Requirements for participation

NCLM began collecting background information on interested local governments to ensure that they understood the program requirements and were committed to making it work. “We really wanted to welcome anyone who wanted in to join the program,” Diane Seaford, deputy director for MAS, said. To participate, MAS determined that cities and towns needed to agree to the following program standards: use a standard chart of accounts, dedicate staff time to the transition, and have the local government’s board take action to approve a contract with Black Mountain Software for the software subscription license. The program is grant-funded and ARPA State Fiscal Recovery Funds pays for conversion and the first three years of software support, which averages a total of \$100,000 per organization. Each city and town signs its own contract and is responsible for costs beyond year three. The scope that the software provides includes common enterprise resource planning (ERP) functions such as finance, human resources, payroll, capital assets, permitting and licensing, and other functions that Black Mountain Software supports. While local governments were free to make the scope as broad as they wanted, NCLM prioritized the more traditional core finance modules. “In selecting software, we really tried to find a product that covered necessities but wasn’t complex. We wanted towns to catch on quickly,” Seaford said.

Learning and adjusting on the fly

Implementing the software is a combined effort between the local government, NCLM, and the software vendor. A goal of converting 50 towns in four years made it impractical for each organization to take a year or more—which can be common with normal ERP implementations. For



Small, rural cities and towns are particularly vulnerable to the effects of natural disasters, including the loss of financial data for governments that are not on cloud-based software.

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this project, the software vendor focuses on software training and NCLM provides support for data conversion and best practices. “We have a team of about ten accounting specialists and supervisors who are each assigned towns,” Seaford said. “They take the town’s chart of accounts and map it to the new one. We do as much of the heavy lifting for the conversion as we can and then sit with the town through training to ensure they’re understanding how to use the software.”

Reflecting on what the team has learned, Seaford said, “The biggest thing we learned was the importance of implementing best practices on the front end. This is more than just a software conversion. If towns are successful in what they’re doing, it’s so much easier to implement the software.” She noted,

“Our goal now is to have them in a good financial place prior to the conversion.” James added, “Change is hard, and sometimes you don’t realize how hard change is until you start.”

Early returns

One of the earliest benefits to the program was realized this fall. Moving to cloud software mitigated risks that data would be lost during a disaster. Like most states in the United States, North Carolina is prone to natural disasters. “We had towns that had QuickBooks running on a single desktop computer,” Seaford said. “If the computer was destroyed, so was all of their accounting data.” With Hurricane Helene this fall, one town’s offices were destroyed, but the software provider was

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able to connect them to run payroll as soon as they could get an internet connection.

Other benefits simply were the result of shining a light on current practices and moving toward a best practice approach. Receiving the NCLM resources for implementation allowed many towns to discuss using and ultimately adopting better financial policies and practices. "We work hard to get towns to consolidate bank accounts," James said. "The fewer bank accounts, the easier it is to reconcile, and the better the chance they don't fall behind." Seaford said, "As part of the implementation, we've been using our resources to help towns catch up, so they are current." In another example of improved practices, a town implemented positive pay, which led to one town catching a potential fraud opportunity involving a counterfeit check.

Jonesville and Pikeville were two of the first towns to implement the MAS Software Program in 2023, with Kingstown following closely behind. At one time, both Pikeville and Kingstown had their financial records impounded by the Local Government Commission (LGC), which is staffed by the N.C. Department of State Treasurer. Impoundment is a sign of extreme financial distress that the state does only on a limited basis. Kingstown's finances were under the control of the LGC at the time software conversion began. The financial records of both Pikeville and Kingstown have now been reverted to the community, and both are on a much more stable financial trajectory. Sharon Edmondson, the director of municipal finance programs said, "When towns are fully converted, our

League consultants try to go to the town hall and celebrate success. Sometimes finance can be a back-office function for these small towns. But these are big accomplishments and it's nice to let the board know."

Looking to the future

At this time, 20 towns have been implemented, with 21 towns expected to be completed by December 31, 2024. The list of contracted towns scheduled for implementation before the grant deadline of December 31, 2026, ensures that MAS will meet its goal of 50.

Currently, towns are provided with the software for the first three years but assume the maintenance costs for year four. NCLM hopes to secure additional funding beyond this initial term. The League is also working to expand capacity since MAS has a waiting list for towns to get started and doesn't have the capacity to get to everyone.

Further into the future, MAS expects standardization, shared best practices, and common experiences using one software platform will lead to additional opportunities for collaboration. "As more municipalities are sharing a system and sharing a chart of accounts, I'd love to envision that there may be other opportunities to share staff," Nida said. "One finance officer could work in multiple towns." NCLM is also focused on sustainability, and real success would mean that cities and towns in the MAS program won't require ongoing NCLM assistance. Seaford added, "After conversion, we meet with towns monthly to see how things are working. We are proactively checking in and hoping to get towns that are sustainable and don't need us."

NCLM has also put in place necessary governance to support the participating governments beyond the software solution. NCLM created a chart of accounts committee that is able to consider changes to the chart of accounts and make necessary edits as practices evolve.

Replicating the project in other areas

The issues facing North Carolina's small, rural communities are not unique to the state. The same issues are unfortunately all too common across the country in states with strong rural-urban divides. Indeed, as NCLM staff have been developing and implementing the MAS program, they have held numerous conversations with other state leagues or similar organizations that were interested in assisting their local governments in a similar way.

NCLM staff has developed a number of resources that could be useful to other organizations, including the uniform chart of accounts, best practice guides, a framework for board governance, and other resources based on the program's lessons learned. NCLM is confident that as the MAS program continues to grow and develop, other statewide and out-of-state entities will be able to use these tools to assist small rural governments. In reflecting on the program, Nida said, "I feel very fortunate and proud of the team we've been able to build at the League. We have some experienced professionals who bring an accounting, customer service mentality. We exist to serve members, and we try to meet towns where they are." Seaford added, "If anyone else is looking to build a similar program, the team is really the key. Hire people with a servant's heart. People matter. We are where we are because of our field team. That is the key to making it all work."

Contacts

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