
Coates' Canons Blog: Expending Funds After the End of the Fiscal Year

By Kara Millonzi

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It is May 2015 and several of Procrastination Village's staff members are frantically ordering supplies and equipment to spend down remaining budget appropriations by the end of the 2014-15 fiscal year. As of May 1, the parks and recreation department has \$1500 remaining in its budget for supplies. (The village board makes budget appropriations by function code within each department. The total appropriation for parks and recreation department supplies for the year was \$10,000.) Department staff members place an order for t-shirts for upcoming soccer leagues totaling \$1498.

Before the order is place, the village's finance officer, Penny Patrol, performs the statutory **preaudit process**. See **G.S. 159-28(a)**. She checks to see that (1) there is a budget appropriation in the FY 2014-15 budget ordinance (\$10,000 appropriation for supplies), and (2) that sufficient funds will remain to pay the amounts expected to come due this fiscal year (\$1500 remaining in the appropriation). The department expects that the t-shirts will be delivered on or before June 1 and that the invoice will be paid before July 1. Penny stamps and signs the preaudit certificate on the order form.

As it turns out, the order is significantly delayed and the t-shirts do not arrive until mid July 2015. In the meantime, a new fiscal year began on July 1, 2015, and a new budget ordinance (FY 2015-16) took effect. Having fallen on hard economic times, the village board appropriated \$0 to the parks and recreation department for supplies in FY 2015-16.

Can Penny pay the \$1498 invoice on August 1, 2015?

The answer is no, unless and until the village board (or the budget officer if authorized) amends the FY 2015-16 budget ordinance to appropriate \$1498 to the parks and recreation supply function code.

Disbursement Process Requirements

Before Penny may pay the invoice she must perform the statutory **disbursement process**. See **G.S. 159-28(b)**. She must ensure that (1) the invoiced amount is due and owing; (2) there is a budget (or project) ordinance appropriation authorizing the expenditure; and (3) sufficient monies remain in the appropriation to pay the amount owed.

As of July 1, 2015, the FY2014-15 budget ordinance expired. It no longer provides legal authority to enter into obligations or make disbursements. Thus even though the shirts were ordered and the funds were obligated/encumbered in FY2014-15, and even though the preaudit process was performed on the FY2014-15 budget ordinance, that budget ordinance does not provide authority to disburse the funds to pay for the shirts. As of July 1, the obligated/encumbered funds for the t-shirts (\$1498) reverted to fund balance.

Connie must now perform the disbursement process based on the FY2015-16 budget ordinance appropriation. Because there is no appropriation in the current fiscal year for parks and recreation supplies, Penny may not pay the invoice until the village board amends the budget ordinance to appropriate the \$1498. (The board may delegate the authority to make the necessary budget amendment to the unit's budget officer if it involves a transfer of monies from one appropriation to another within the same fund. See **G.S. 159-15**.)



Note that it is significant that this village board makes budget ordinance appropriations by function within each department (salaries and benefits, supplies, equipment, utilities, etc.). The Local Government Budget and Fiscal Control Act allows a governing board to make appropriations by department, function, or project. See **G.S. 159-13(a)**. If the board instead had made appropriations by department, Penny could have paid the invoice as long as there was an appropriation to the parks and recreation department and as long as \$1498 remained unobligated/unencumbered in the department's appropriation.

Links

- canons.sog.unc.edu/?p=7136
- www.ncleg.net/EnactedLegislation/Statutes/HTML/BySection/Chapter_159/GS_159-28.html
- canons.sog.unc.edu/?p=7696
- www.ncleg.net/EnactedLegislation/Statutes/HTML/BySection/Chapter_159/GS_159-15.html
- www.ncleg.net/EnactedLegislation/Statutes/HTML/BySection/Chapter_159/GS_159-13.html