Bessemer City
NORTH CAROLINA

April 10th, 2023

Local Government Commission (LGC)
3200 Atlantic Avenue
Raleigh, NC 27604

Re: FPIC Response: City of Bessemer City FY 2021-2022 Financial Audit

Dear Honorable Members of the North Carolina Local Government Commission (LGC):

This letter is in response to Finance Performance Indications of Concerns (FPIC) for the City of Bessemer City 2021-2022 Financial Audit. Please see below our six (6) responses:

**FPIC 1. Water and Sewer Quick Ratio**

- *Response 1-* the Quick Ratio has declined to .2% because we had a bond anticipation note in the amount of $4,998,000 for the Water Treatment Plant Project which is in process. The bond anticipation note will close to a USDA loan on April 18, 2023 which will improve our Quick Ratio to 2%.

**FPIC 2. Water and Sewer Unrestricted Cash**

- *Response 1-* to improve the ratio of unrestricted cash divided by total expenses excluding depreciation plus debt service ("cash to expense ratio"), the unit is committed to increasing next year the amounts charged for water and sewer services by 5% which should generate $200,000 in additional revenue. The unit is committed to maintaining operating expenses at the current level. We estimate that with the combination of the increased revenue and stable expenses, unrestricted cash will improve.

- *Response 2-* In addition, as of June 30, 2022, there was $888,688 outstanding ARPA funds that were received in July 2022. ARPA funds reimbursed the Water and Sewer Fund for prior capital projects.

**FPIC 3. Audit Not Submitted on Time**

- *Response 1-* Our unit was unable to submit our audit because a component unit, Bessemer City ABC Board, did not have their financial audit completed until February 2023. To prevent recurrence of the late filing of financial statements, the governing board will be more mindful when appointing board members who make decisions for the component unit.

**FPIC 4. Uncollected Tax Levy**

*Response 1-* Our unit's former Budget Officer (City Manager) did not properly project general fund ad-valorum. Our unit will use realistic data, generated TR-2 reports, and other resources to accurately project revenues going forward.

**FPIC 5. Budget Violation and Pre-Audit Process**

*Response 1-* Over-expenditures that occurred in General Fund- Administration/Finance, Public Safety, and Cemetery were due to the implementation of additional debt for *GASB 87- Leases.* The unit has provided additional training to staff in these departments.

**FPIC 6. Material Weaknesses, Significant Deficiencies or Statutory Violations**

*Response 1-* These over-expenditures occurred primarily due to the implementation of *GASB 87- Leases*. Our unit will monitor leases to determine the impact of the new lease accounting standards on budgetary amounts.

If you need additional information, please let us know.

Respectfully submitted,

Joshua M. Ross, MPA
*City Manager*

Becky S. Smith
*Mayor*

Dan Boling
*City Council- Ward 1*

Kay McCathen
*City Council- Ward 2*

Joe Will
*City Council- Ward 3*

Brenda Boyd
*City Council- Ward 4*

Brent Guffey
*City Council- Ward 5*

Donnie Griffin
*City Council- Ward 6*
*Mayor Pro-Tempore*

(Attest)
Hydeia Hayes
City Clerk