March 1, 2024

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

Re: FPIC Response: City of Bessemer City FY 2022-2023 Financial Audit

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

This letter is in response to the Finance Performance Indications of Concerns (FPIC) for the City of Bessemer City's 2022-2023 Financial Audit. Please see below our five (5) responses:

GENERAL FUND (GF):

FPIC 1. Fund Balance Available - The 2022-2023 budget indicated a GF fund balance of 25.93%. 34% is the minimum, and 63% is the average fund balance for municipalities our size.

- Response- Bessemer City intends to build back GF fund balance in upcoming budgets by considering an increase in Ad Valorem Tax and other revenue streams. Bessemer City will decrease expenditures as much as possible through conservative spending in all departments.

FPIC 2. Appropriated Fund Balance

- Response- Future GF budgets will include revenues that match expenditures without the use of fund balance. See the response of FPIC 1.

WATER/SEWER FUND (WSF):

FPIC 3. Quick Ratio - The WSF quick ratio for the 2022-2023 budget was -.10.

- Response- Bessemer City intends to increase rates in future budgets to increase this quick ratio above 1. At 2023 year-end, Bessemer City's Water and Sewer Quick Ratio was negatively impacted by a large outstanding AP for a capital project in the amount of $887,000. In the future, the City anticipates a healthy increase in the Water Sewer Fund's Quick Ration due to the decrease in current AP.

FPIC 4. Operating Net Loss - The WSF showed a net operating loss in the 2022-2023 budget.

- Response- Bessemer City intends to increase rates in future budgets to increase revenues to operate the fund. Future budgets will also show a decrease in administrative charges from the GF. Revenues will align with expenditures in the WSF in future budgets.

*FPIC 5. Water and Sewer Fund (WSF) Unrestricted Cash - The WSF showed a net operating loss in the 2022-2023 budget.

- Response- Future budgets will include revenue increases to build back WSF fund balance, increasing our unrestricted cash level. Additionally, future budgets will consist of less administrative charges from the WSF to the general fund, allowing additional revenues to build up fund balance in the WSF. Lastly, WSF debts will start rolling off allowing for more unrestricted cash availability.

NATURAL GAS FUND (NGF):

*FPIC 5. Natural Gas Fund (NGF) Unrestricted Cash - In the 2022-2023 budget, the NGF had no unrestricted cash to meet day-to-day expenses.

- Response- Future budgets will include revenue increases to build back NGF fund balance, increasing our unrestricted cash. Additionally, future budgets will consist of fewer administrative charges from the NGF to the GF, allowing additional revenues to build up fund balance in the NGF. Lastly, NGF debts will start rolling off, allowing for more unrestricted cash availability.

STORMWATER FUND (SWF):

*FPIC 5. Stormwater Fund (SWF) Unrestricted Cash - In the 2022-2023 budget, the SWF had no unrestricted cash to meet day-to-day expenses.

- Response- Future budgets will include revenue increases to build back SWF fund balance, increasing our unrestricted cash. The City is currently assessing a stormwater fee study that will increase revenues in this fund.

**FPIC 5. Is reflected in three (3) funds*

If you need additional information, please let us know.

Respectfully submitted,

Joshua M. Ross, MPA
City Manager

Becky S. Smith
Mayor

Michael Brooks
City Council- Ward 1

Nellie Floyd
City Council- Ward 2

Allen Hook
City Council- Ward 3
Mayor Pro-Tempore

Brenda Boyd
City Council- Ward 4

Brent Guffey
City Council- Ward 5

Dennie Griffin
City Council- Ward 6

(Attest)

Hydeia Y. Hayes, MPA, CMC
City Clerk