

Attachment B:
Debt Requests for Units with
Financial Performance Indicators
of Concern (FPIC)



REQUESTS FOR LGC APPROVAL OF DEBT BY UNITS WITH MATERIAL FINANCIAL PERFORMANCE INDICATORS OF CONCERN (FPICS)

BACKGROUND

In 2020, Local Government Commission (LGC) staff changed the North Carolina Administrative Code to define "Financial Performance Indicators" as a tool to identify fiscal management concerns in units of local government subject to LGC oversight. As defined in [20 NCAC 03 .0502](#):

- **"Financial Performance Indicators"** are values derived from information included in the audited financial statements that assist the Secretary in improving the comparability of reporting a unit's financial condition and financial performance. These criteria include adequacy of a government unit's fund balance; liquidity or the ability to meet short-term obligations; solvency or the ability to meet long-term obligations; debt service coverage; leverage; and such other indicators of financial condition and financial performance as the Secretary may establish.
- **"Financial Performance Indicators of Concern"** are Financial Performance Indicators with values which may indicate inadequate financial conditions or fiscal management concerns.

Under [20 NCAC 03 .0508](#), if a unit's auditor identifies Financial Performance Indicators of Concern, the unit's governing body must develop a "Response to the Auditor's Findings, Recommendations, and Fiscal Matters" signed by a majority of the governing body and submitted to the Secretary within 60 days of the presentation of the audit. The response must provide a plan to address each Financial Performance Indicator of Concern.

Additional information on FPICs, references to applicable statutes and administrative code, guidance for units, and other related resources are available on the Department of State Treasurer's [website](#).

LGC CONSIDERATION

When a unit with one or more FPICs requests debt approval from the LGC:

- Staff thoroughly review FPIC responses submitted by the unit.
- If staff deem the FPIC **"material,"** the debt request is presented as a separate agenda item so that staff concerns may be presented and LGC member questions addressed.
- Units with material FPICs are requested to have representatives available at the meeting to answer questions.

FINANCIAL PERFORMANCE INDICATORS GUIDE

The following tables summarize the Financial Performance Indicators and specify the threshold a unit must meet to avoid an FPIC.

Table 1: General Fund Financial Performance Indicators

Indicator	Description	Threshold
Fund Balance Available (FBA) as a percentage of expenditures	Fund balance available for appropriation is an important reserve for local governments to provide cash flow for emergencies, unforeseen expenditures, and periods of declining revenues.	See below

Municipalities: General Fund Expenditures	Median FBA as a % of Expenditures (without Powell Bill)	Minimum FBA as a % of Expenditures	Months of FBA Using Annualized Expenditures
\$0 - \$100,000	260%	100%	12.00
\$100,001 - \$999,999	132%	71%	8.52
\$1M - \$9.99M	63%	34%	4.08
\$10M+	46%	25%	3.00

Counties: General Fund Expenditures	Median FBA as a % of Expenditures	Minimum FBA as a % of Expenditures	Months of FBA Using Annualized Expenditures
\$0 - \$100M	39%	20%	2.40
\$100M+	32%	16%	1.92

Appropriated fund balance	Fund balance appropriated to cover operating losses may signal ongoing financial issues; if the pattern continues, it can lead to a decline in the unit's available reserves.	Positive change in fund balance
Total fund balance	A deficit means that the unit's revenues and other receipts are inadequate to support its operations.	Positive fund balance

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Table 2: Water/Sewer Financial Performance Indicators

Indicator	Description	Threshold
Capital assets condition ratio	The capital assets condition ratio formula calculates the remaining useful life; a value less than 0.50 may signal the need to replace the assets in the near future.	Remaining useful life of assets greater than or equal to 0.50
Operating Net Income, excluding depreciation, including debt service principal and interest	A negative amount indicates that rates are not covering operating expenses and debt service payments.	Greater than zero
Quick Ratio	The “quick ratio” is calculated as current assets divided by current liabilities and provides a measure of financial liquidity in the Water/Sewer fund. A quick ratio of less than 1: - Indicates that current liabilities are greater than unrestricted cash and investments plus accounts receivable. - Could indicate that the fund may have difficulty meeting expenses. If this pattern continues, the fund may not be financially sustainable.	Equal to or greater than 1
Transfers-in to support operations	The rate structure of the Water/Sewer Fund should support the operating expenses of the fund without operating subsidies or transfers from other funds.	Transfers-in of less than 3%
Unrestricted cash to total expenses ratio	This indicator calculates how many months of expenses a unit can cover based on its unrestricted cash at year-end; the calculation includes debt principal and interest but not depreciation. The typical billing cycle is one month (8.33% of a year); unrestricted cash equaling two months of expenses (16.66%) is typically sufficient to handle unusual expenses. The 16% threshold is the minimum necessary to keep the fund from experiencing cash flow problems.	Greater than 16%

Table 3: Other Performance Indicators

Indicator	Description	Threshold
Date audited financial statements were submitted to the LGC	As stewards of the public's resources, the governing body is responsible for ensuring that the annual financial audit is available timely to the public.	December 31 for units with June 30 fiscal year ends
Amount of budgeted ad valorem tax (including motor vehicles) uncollected	Uncollected ad valorem taxes totaling more than 3% of the budgeted amount could be an indicator of negative economic events, inaccurate budgeting, and/or issues with the collection process.	Less than 3% of budgeted ad valorem taxes
Expected change in property value at next revaluation	A decrease in property value could result in lost tax revenue.	No estimated decrease
Budget violations at the adopted ordinance level	Expenditures that exceed the legal budget ordinance may indicate that the unit's purchase order system, contract approval process, and/or payment process is not in compliance with G.S. Chapter 159.	No over-expenditures
Material weaknesses, significant deficiencies, statutory violations, and/or items identified to be addressed in the FPIC response	20 NCAC 03 .0508 requires a response from the unit addressing each significant deficiency, material weakness, and other audit finding presented to the governing body as well as a plan to address each Financial Performance Indicator of Concern.	None
A finance officer or interim finance officer was appointed for the entire fiscal year	G.S. 159-24 requires each local government and public authority to have a finance officer at all times.	Yes
The finance officer or interim finance officer was bonded in an amount required by statute	G.S. 159-29 requires that a finance officer give a true accounting and faithful performance bond in an amount not less than the greater of (1) \$50,000 or (2) an amount equal to 10% of the unit's annually budgeted funds, up to \$1,000,000.	Yes

[This section intentionally blank.]

Table 3: Other Performance Indicators (cont'd)

Indicator	Description	Threshold
The unit had late debt service payments and/or did not comply with bond covenants	Debt issued by a unit has established payment schedules and varying covenants or restrictions; failure to make timely payments or to comply with covenants may have negative financial implications and may indicate financial or internal control issues.	No
Any other issues that affect the unit's fiscal health or internal controls that were communicated to the unit during the audit presentation	The auditor may have reported issues to the governing board that were not required to be disclosed in the financial statements or that did not rise to the level of significant deficiencies or material weaknesses. The unit's FPIC response should explain these issues.	No other issues

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LGC Staff Analysis For: **COLUMBUS COUNTY**

PAR Amount Not to Exceed: \$2,574,639

Financing Type: State Revolving Fund (SRF) Loan

Purpose and Type: Water/Sewer, Water

Project Description: The project includes replacement of approximately 17,700 linear feet of 6-inch asbestos-concrete water mains with PVC and DI piping including 21 fire hydrants, 3 blow off assemblies, associated valves, fittings, 175 AMI water meters, and associated appurtenances.

Statutory Reference: G.S. 159G-40 and 159-52

Last Request to Borrow: 01/2022; IFC; \$27,903,701

FPICs: Yes - See Attachment

UAL Contract: N/A

Debt Management: Information from the Unit shows that debt management procedures and policies are good, or that reasonable assurances have been given that its debt will henceforth be managed in strict compliance with law.

Proposed contract or bond issue is necessary or expedient: Riegelwood Subdivision is located just north of the Acme/Delco area of Water District IV, the easternmost water district of Columbus County. The system originated as the residential counterpart of the International Paper Company installation, constructed in 1959 just across NC Highway 87 (Old Stage Road), and bordering the Cape Fear River to the northeast. Serving 175 customers, the system includes approximately 25,461 linear feet of 2-inch through 8-inch mains, 24 fire hydrants, 52 gate valves, and 2 end-of-line blowoffs. Originally constructed of a combination of 6-inch and 8-inch asbestos-cement (AC) mains and 2 ½-inch galvanized iron (GI) pipe, the majority of galvanized pipe was replaced with 2 ½-inch SDR 21 (Class 200) PVC in a March 2011 system upgrade. The County acquired the nonviable system in October of 2019. The entire Riegelwood Subdivision system is an ongoing burden to the County, requiring repairs to water mains and replacements of fittings and appurtenances on a near-constant basis. The County seeks to upgrade the system as soon as possible, ideally to replace all asbestos-cement water mains with PVC mains at least 6-inches diameter.

Proposed amount is adequate and not excessive: The project was bid under G.S. 143-132. Three (3) bids were received on March 5, 2026. The contract was awarded to the lowest responsive, and responsible bidder.

Feasibility: The projection of net revenues prepared by the unit indicates that future revenues will be adequate to cover the cost of operations and debt service. The average monthly water bill is currently \$45.00 for 3,000 gallons.

Tax Increase Anticipated: N/A

Rate Increase Anticipated: Yes

Additional Information (as applicable): Columbus County anticipates increasing the District IV base rate from \$30 to \$31 and increasing the water volumetric rate by 10%, from \$5.00 to \$5.50 by FY 2028.

Public Hearing: N/A

TEFRA Hearing: N/A

Interest Rate Assumptions (*GO Bonds Only*): N/A

Terms

Lender/Purchaser/Bank: State of North Carolina

Interest Rate: Not to Exceed 4% (stated interest 2.03%)

Term: 20 years

Payment: Annual principal; semi-annual interest

Structure and Term: Level principal; declining interest

Final Maturity: N/A

Other: N/A

Marketability

Moody's: N/A **S&P:** N/A **Fitch:** N/A **Kroll:** N/A

Financing Team

Role	Name	Additional Party Role	Additional Party Name
Municipal Advisor			
Underwriter/Senior Manager			
Lender/Purchaser/Bank			
Underwriter's Counsel			
Bond Counsel			
Purchaser's Counsel			
Trustee			
Trustee's Counsel			

Amount Not to Exceed: \$2,574,639

Sources	Amount
DWSRF Loan SRF-D-2063	\$2,574,639
SCRC Grant (SEID23NC034)	\$500,000
State Economic and Infrastructure Development grant (SEID)/Southeast Crescent Regional Commission (SCRC)	
Total	\$3,074,639

Uses	Amount
Construction	\$1,867,271
Engineering (all phases)	\$468,600
Contingency	\$738,768
Total	\$3,074,639

Indicator		Explanation of Indicator	Threshold	Unit Data
	Fund balance available for appropriation.	Percentage of expenditures.	20%	7.94%
	<u>LGC Summary:</u> The County stated it will avoid unnecessary use of fund balance and seek to increase reserves. It plans to adopt a fund balance policy on October 5, 2026 and identified possible future measures including leasing or selling County property, ballot measures, economic development, future tax-rate increases, and the 2029 revaluation.			
	The General Fund change in fund balance was negative, and fund balance was appropriated for operations.	Declining FB and/or FB being appropriated to cover a loss could result in deterioration of a unit's fund balance available.	Positive change in fund balance.	Negative change in fund balance.
	<u>LGC Summary:</u> The County stated it will continue conservative budgeting and avoid unnecessary use of fund balance. The response relies heavily on increased revaluation trends and provided no specific timetable for restoring the balance.			
	Audited financial statements submission.	Report submitted on or before due date.	The due date was February 12, 2026.	Report submitted on July 27, 2026.
	<u>LGC Summary:</u> The County attributed the delay to software conversion and testing, which delayed reports about three months, and to providing FY2020-FY2024 documentation for a State Auditor performance audit. It stated that responsibilities have been assigned, staff are being trained and cross-trained, and a third-party accountant is assisting with audit preparation and procedures.			
	Budgeted ad valorem tax for the General Fund.	Ad valorem tax collected divided by ad valorem tax budgeted.	Less than 3% uncollected.	17.37% uncollected.
	<u>LGC Summary:</u> The County stated that future ad valorem revenue estimates will be prepared conservatively, without a growth factor, and that collections and budget assumptions will be reviewed during budget preparation.			

Indicator		Explanation of Indicator	Threshold	Unit Data
	Compliance with the adopted budget ordinance.	Financial statements disclosed budget violations at the adopted ordinance level.	No budget violations reported.	Budget violations noted.
	<u>LGC Summary:</u> The County stated that its purchasing policy, effective July 1, 2026, requires purchase orders and that the accounting system's budget controls will be used to prevent overexpenditures.			
	Material weaknesses identified.	Certain internal controls designed to prevent significant financial statement irregularities and improve operation efficiency are ineffective.	None reported.	Material weaknesses reported concerning: • Restatement of PY balances • Multiple auditor recommended adjustments
	<u>LGC Summary:</u> The County stated that it corrected the municipal-tax receivable issue with assistance from the auditor. For the year-end close, it created a project and grant information template, is reviewing accruals and adjustments, is using a third-party accountant to review procedures, and will provide staff training on applicable accounting requirements and the software.			

LGC staff reviewed the response of the County and are working with the unit to refine the response.

Columbus County

FINANCE OFFICE

TELEPHONE
910-640-6611



FAX
910-445-5002

September 28, 2026

Ms. Kendra Boyle
North Carolina Department of State Treasurer
State and Local Government Commissioner
3200 Atlantic Avenue
Raleigh, North Carolina 27604

RE: Fiscal Year 2025 Audit – County of Columbus (Unit 5123) – Response to the Auditor’s Findings, Recommendations, and Fiscal Matters

Dear Ms. Boyle,

This letter is in response to the trends and financial performance indicators regarding Columbus County’s audited financial statements for fiscal year ended June 30, 2025.

The Columbus County audited financial statements for fiscal year ended June 30, 2025 were submitted late to the Local Government Commission due to two prime factors. Factor one, Columbus County converted to a new financial software platform in the 2025 fiscal year. Due to testing the accuracy and correcting errors of the software conversion, our submission of financial reports to our auditing firm was delayed by approximately three months. Factor two, Columbus County was supplying documentation to the State Auditor’s Office for a performance audit on fiscal years which included FY2020 thru FY2024. These factors significantly impacted the timeliness for the June 30, 2025 fiscal year submission.

Columbus County recognizes we are currently on the Unit Assistance List. Our ultimate goal is to remove ourselves from this list and, as such, the county is taking steps to achieve this goal.

The list below includes a summary of the material weaknesses and significant deficiencies identified in our audit report:

2025-001 Restatement of Prior Year Balances (Repeat Finding) – Internal controls should be in place to ensure that financial statements properly present the financial position and results of the County in accordance with generally accepted accounting principles (GAAP).

The County has taken steps to align applicable reporting requirements with presentation in the financial statements in accordance with GAAP. The County will support its finance staff in attending essential trainings at the UNC School of Government and other sources to learn the necessary accounting principles and how to implement them more efficiently. The County has also hired a third-party account to help review the financial statements each year and work with staff on developing procedures of review to prevent future restatements. The County found an issue with the accounts receivable recording with the municipal tax collection. The County requested assistance from the auditing firm to correct this recording.

2025-002 Financial Close and Maintenance of General Ledger Accounts (Repeat Finding) – Internal controls should be in place to ensure that financial statements properly present the financial position and results of the County in accordance with GAAP.

The County has taken necessary steps, so the financial statements properly present the financial position and results of the County in accordance with GAAP. The County will review the year-end close process to ensure all adjustments and accruals are posted. The County has created a template requesting information on capital projects and grants, including the last pay request filed by the departments. Also, the County better understands the functionality and reporting of the new software, to be able to determine if additional entries are needed. The County will support its finance staff in attending essential trainings at the UNC School of Government and utilize other sources to learn the necessary accounting principles and how to implement them more efficiently.

2025-003 Late Audit Submission – N.C. General Statute 159-34 requires the County to have an audit completed by December 31, 2025.

The County has implemented procedures to ensure the financial statements are on time. Each employee has been assigned requested items that relate to their current jobs. We have hired a third-party accountant to help with newly implemented standards, process time consuming entries and to review of assets and CIP calculations. We feel that staff turnover and transitions are stable at this time, so we can get staff fully trained and cross trained to help with the work load of the audit. We are not in the process of changing any software at this time that could cause a delay due to account setup. We are also not in the process of conducting two audits conjunctively as we were from August 2025 through June 2026.

2025-004 Significant Deficiency over Reporting (Repeat Finding) – Information on the Federal Program; Low Income Housing Assistance Program (Section 8), Assistance Listing Number 14.871, U.S. Department of Housing and Urban Development.

The County will continue its efforts to complete audits in a timely manner. The Section 8 program is audited in conjunction with the audit of the county. If there is a delay in the County's audit, then there is also a delay in the Section 8 program's audit also. This delay creates the delay in the PHASS information entry in to the Federal database. However, we do not anticipate any additional delays.

2025-005 Significant Deficiency over Activities Allowed and Unallowed and Allowable Costs/Cost Principle (Repeat Finding) – Information on the federal program: Temporary Assistance Needy Families Cluster (TANF), Assistance Listing Number 93.558, U.S. Department of Health and Human Services, passed through the N.C. Department of Health and Human Services (NCDHHS), Division of Medical Assistance.

The County's Department of Social Services is committed to strengthening internal controls to ensure the accurate reporting of time and program coding. The agency has implemented enhanced review protocols requiring supervisors to verify that weekly timesheets accurately reflect the time recorded on the employee's daily activity sheets prior to approval. In addition, the agency is reinforcing staff training on proper time distribution and coding requirements, increasing supervisory oversight, and establishing standardized review procedures to promote consistency and compliance. These measures are designed to improve documentation accuracy, strengthen accountability, and ensure that program reimbursements are supported by complete and accurate records.

Other financial performance indicators that the county would like to address beyond the correction actions above are budget ordinance violations, collected ad valorem taxes as a percent of budgeted ad valorem taxes, and the county's fund balance.

The County has adopted a new purchasing policy that went into effect on July 1, 2026, which requires purchase orders for any purchase, except a very limited number of items such as, pass thru, utilities and refunds. The new software limits the personnel that can override budgets to allow for unbudgeted purchases. Staff also has a better understanding of the reporting provided by the software to see where these budgets were surpassed to determine if there was a coding error or if budget adjustments need to be made.

The Collected Ad Valorem Tax as Percent of Budgeted Ad Valorem Tax amount of -17.37% was created by a combination of two factors. The first factor was created by a previous Finance Director by budgeting a growth factor into our annual budget. This estimation process works for other counties, but it does not work for Columbus County. The second factor was created by one of our largest tax payers removing a production line of equipment. This resulted in an estimated Six-Million-dollar release and a Four Million dollar rebill. The current Finance Director could not find a way to bring the budgeted amounts more in-line with the actual amounts due to this release and the originally budgeted growth factor. Going forward, the County will be extremely conservative with Ad Valorem Tax reviews and will not include any type of growth factor. We also do not foresee any release of that size happening again.

The County is greatly concerned about the significant decline in our fund balance available as a percentage of expenditures. The County will strive to keep current and future budgets very conservative to avoid the use of fund balance unnecessarily and potentially increase fund balance. The County will be reviewing our current fund balance policy, making any needed adjustments and adopting it at the October 5th meeting. This action will bring this policy back to the forefront. The County is considering ways to increase revenues, such as leasing and possibly sale of unused property. This past spring, the board has voted to add alcohol sales and quarter cent sales tax to the November ballot. If these pass, it would encourage economic development and provide relief in funding for capital needs in our schools and for our recreation department, along with providing additional funding for our fire and rescue services. Currently, the county's planning department has approved several housing developments that over the next 10 to 15 years, we would double the number of roof tops in our county, providing additional Ad Valorem Taxes. Currently the County is starting to see the impact of this residential growth. Each year, during the annual budget process, the board will consider increasing the property tax rate to negate the use of fund balance. This year, our tax office will be starting our revaluation process to go into effect in January 1, 2029 (FY 29/30). If this revaluation trends like others within the state, we should be able to meet our annual budgeting needs and start building up our fund balance.

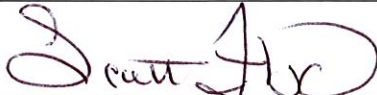
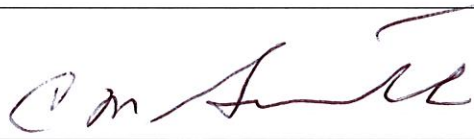
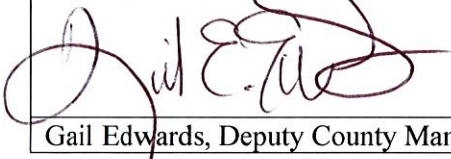
The chart below outlines a proposed six-year plan to increase our fund balance. This proposed plan does not include any increases in tax values resulting from current housing construction. Based on revaluations in surrounding counties, property values will be increasing by approximately 50% to 60%. However, under this plan, we have conservatively estimated that our tax values will increase by only 40% during the revaluation process. Additionally, this proposed plan does not take into consideration the possibility of either of the voter referendums passing in November 2026, nor does it account for any of the current economic development proposals being completed. Any of these factors, along with state mandates and future changes in funding, could affect the rate at which our fund balance is replenished.

Year	Increase/(Use) Amount	Proposed Plan
FY 27	-	Not use fund balance even though it is budgeted
FY 28	-	Do not budget for fund balance – only roll ear marked items
FY 29	-	Do not budget for fund balance – only roll ear marked items
FY 30	4,300,000.00	Reevaluation Year – keep tax rate at .805; do not budget utilities
FY31	4,300,000.00	Do not budget utilities
FY 32	4,400,000.00	Same as above
	13,000,000.00	Estimated amount needed to reach 20% currently

The County continues to strive for excellence in financial reporting. Our goal is to stay current with audits and continuously emphasize good internal control through all financial processes.

If you have any questions, please do not hesitate to contact me.

Respectfully,

	
Brentley R. Watts, Chairman/ Interim County Mgr.	Scott Floyd, Vice Chairman
	
Barbara Featherson, Commissioner	Christopher M. Smith, Commissioner
	
Giles E. Byrd, Commissioner	Jack Lavern Coleman, Commissioner
	
Ricky Bullard, Commissioner	Heather M. Woody, Finance Director
	
Gail Edwards, Deputy County Manager	



LGC Staff Analysis For: **NASHVILLE, TOWN OF**

PAR Amount Not to Exceed: \$236,402

Financing Type: State Revolving Fund (SRF) Loan

Purpose and Type: Water/Sewer, Sewer

Project Description: Essex Road Sanitary Sewer Extension Improvements (CS370554-01) – The project will extend gravity sewer service and includes installing a bypass pump port on the existing 6-inch force main exiting the Surry Road Lift Station and upgrading the supervisory control and data acquisition (SCADA) telemetry system. The upgraded system will provide secure monitoring of pump run times and real-time alerts.

Statutory Reference: G.S. 159G-40 and 159-52

Last Request to Borrow: 10/2023; IFC; \$3,240,000

FPICs: Yes - See Attachment

UAL Contract: N/A

Debt Management: Information from the Unit shows that debt management procedures and policies are good, or that reasonable assurances have been given that its debt will henceforth be managed in strict compliance with law.

Proposed contract or bond issue is necessary or expedient: The project is expected to improve wastewater management, reduce the risk of environmental contamination, and improve the quality of life for residents of the Essex Road Subdivision.

Proposed amount is adequate and not excessive: On January 22, 2026, the Town received and opened five bids for the project in accordance with G.S. 143-132. The Town awarded the contract to the lowest responsive, responsible bidder.

Feasibility: The Town's net revenue projections indicate that future revenues will be sufficient to cover the operating costs and debt service. The average monthly sewer bill is currently \$77.00 for 5,000 gallons.

Tax Increase Anticipated: No

Rate Increase Anticipated: Yes

Additional Information (as applicable): The Town plans to increase water and sewer rates by 20% in 2027.

Terms

Lender/Purchaser/Bank: State of North Carolina – DEQ/DWI

Interest Rate: NTE 4.0% (stated loan rate: 0%)

Term: 20 years

Payment: Annual principal

Structure and Term: Level principal

Final Maturity: N/A

Other: The \$500,000 in principal forgiveness is in addition to the repayable loan and is excluded from the amount presented to the Commission for approval.

Amount Not to Exceed: \$236,402

Sources	Amount
SRF Funding Offer Increase approved 8/20/2026	\$140,572
SRF Principal Forgiveness, Initial Funding	\$500,000
DEQ/DWI State Reserve Fund (SRF) Repayable Loan (SRF-CS370554-01), Initial Funding	\$95,830
Total	\$736,402

Uses	Amount
Construction Costs	\$537,292
Contingency (10%)	\$53,730
Engineering Costs (Design, Permitting, Surveying)	\$92,343
Administration (Project and construction fees and costs)	\$53,037
Total	\$736,402

Indicator		Explanation of Indicator	Threshold	Unit Data
	Water and sewer capital asset condition ratio.	Estimated remaining life expressed as percentage.	Equal to or greater than 50% remaining life.	46.28%
	<u>LGC Summary:</u> The response did not state a corrective action, funding plan, or replacement schedule for the 46.28% remaining-life ratio. However, the project for which they are asking for debt approval will contribute to the increase in this ratio upon completion.			
	Audited financial statements submission.	Report submitted on or before due date.	The due date was February 12, 2026.	Report submitted on March 20, 2026.
	<u>LGC Summary:</u> The Town attributed the delay to reconciliation issues and limited staff. It stated that it had begun working with its software vendor, would strengthen procedures for year-end revenue and expenditure accruals, and would review FY2025 adjusting entries before delivering the FY2026 trial balance to the auditor.			
	Compliance with the adopted budget ordinance.	Financial statements disclosed budget violations at the adopted ordinance level.	No budget violations reported.	Budget violations noted.
	<u>LGC Summary:</u> The Town stated that staff now understands how future lease agreements should be recorded and budgeted and that the FY2025 budget could not be amended after year-end.			
	Material weaknesses identified.	Certain internal controls designed to prevent significant financial statement irregularities and improve operation efficiency are ineffective.	None reported.	Material weaknesses reported concerning: • Prior Period Restatement • Untimely Reconciliations
	<u>LGC Summary:</u> The Town attributed the prior-period correction and reconciliation weaknesses to limited staff knowledge in reviewing and managing balance-sheet accounts, reconciliations, records, and subsidiary ledgers. It plans to identify resources to perform those reviews more promptly or more frequently moving into FY2027.			

LGC staff reviewed the Town's response and are working with the Town to refine the response.

BRENDA BROWN
MAYOR

RANDY LANSING
TOWN MANAGER



TOWN COUNCIL
LARRY D. TAYLOR
KATE C. BURNS
XAVIEN HARRISON
BILL LUMPP

To: Local Government Commission

Ref: FPIC Responses to FY 2025 Audit

Date: March 30, 2026

Finding #2025-001 Correction of an Error in Previously Issued Financial Statements

The Town is aware of this issue and acknowledges that it has limited staff with the knowledge to review and manage all balance sheet accounts and complete the necessary reconciliations in a timely manner. The Town's goal is to identify resources to help review these accounts more promptly in FY27.

Contact for more information: Tressa Rudd, Finance Officer
Anticipated Implementation date – Summer 2026

Finding #2025-002 Reconciliation of Records

Again, the Town is aware of this issue and has acknowledged that it has limited staff with the knowledge to review and manage the reconciliation of records and subledgers. The Town's goal is to identify resources to help review these accounts more frequently and in a timely manner, moving into FY27.

Contact for more information: Tressa Rudd, Finance Officer
Anticipated Implementation date – Summer 2026

Finding #2025-003 Audit was not Timely submitted

The Town acknowledges that the audit was submitted late. The FY25 audit was submitted to the LGC in March 2026, approximately 6 weeks after the extended due date of February 12, 2026. There were reconciliation issues to address and a limited staff to handle the work. The Town has already begun work with its software vendor to make some necessary changes that were identified through the audit and will strengthen its year-end procedures to properly class revenue and expenditure accruals to reduce the number of adjusting entries that need to be made. Additionally, staff will review all adjusting entries for FY25 and work to accomplish many of these entries prior to delivery of the Trial Balance to auditors for FY26.

Contact for more information: Tressa Rudd, Finance Officer
Anticipated Implementation date – Summer 2026

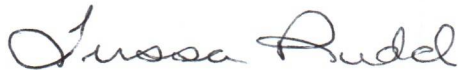
Finding #2025-004 Budget Violation

The Town acknowledges this issue and now understands the proper treatment of any future lease agreements. Staff worked to monitor spending throughout the year but was unaware that full "cost" of lease agreement would need to be expensed in the year the lease originated. Once aware, it was after year-end and a budget amendment was not possible.

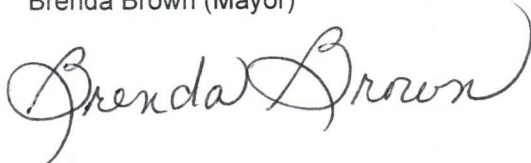
Contact for more information: Tressa Rudd, Finance Officer
Anticipated Implementation date – Fall 2025

**Town of Nashville, NC
FY25 FPIC response
March 30, 2026**

Tressa Rudd (Finance Director)



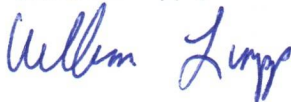
Brenda Brown (Mayor)



Kate Burns (Council Member)



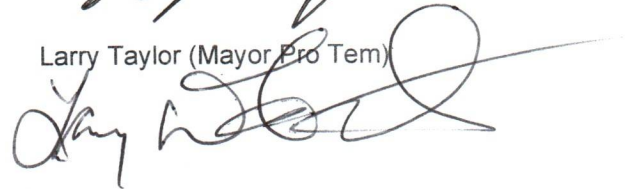
William Lumpp (Council Member)



Randy Lansing (Town Manager)



Larry Taylor (Mayor Pro Tem)



Xavien Harrison (Council Member)

