

**CITY OF BESSEMER,
ALABAMA
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2021
ANNUAL FINANCIAL REPORT**

INTRODUCTORY SECTION

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**CITY OF BESSEMER, ALABAMA
LIST OF PRINCIPAL OFFICIALS
AS OF SEPTEMBER 30, 2021**

MAYOR – KENNETH E. GULLEY

CITY COUNCIL

Cynthia S. Donald, President

Jesse Matthews

Latricia Crusoe, Pro Tempore

Ron Marshall

Donna Thigpen

Jarvis Collier

Kimberly Alexander

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
Bessemer, Alabama

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information of the City of Bessemer, Alabama (the "City"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-type Activities	Unmodified
Aggregate Discretely Presented Component Units	Qualified
Governmental General Fund	Unmodified
Governmental Debt Service Fund	Unmodified
Enterprise Civic Center Fund	Unmodified
Enterprise Electric Service Fund	Unmodified
Enterprise Water Service Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Qualified Opinion on the Aggregate Discretely Presented Component Units

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified and Unmodified Opinions" section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units City of Bessemer, Alabama, as of September 30, 2021, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Governmental Activities, Business-type Activities, Each Major Fund, and Aggregate Remaining Fund Information

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bessemer, Alabama, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We Work Hard to Give¹You Our Very Best

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Member of the Alabama Society of Certified Public Accountants

We did not audit the financial statements of the Bessemer Airport Authority (BAA) which represent .62 percent, (.41) percent, and 3.12 percent respectively, of the assets, net position, and revenues, of the City of Bessemer, Alabama, as of September 30, 2021 and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for Bessemer Airport Authority, are based solely on the report of the other auditors.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Bessemer, Alabama, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matter Giving Rise to Qualified Opinion on the Aggregate Discretely Presented Component Units

The financial statements of the Bessemer Airport Authority have not been audited, and we were not engaged to audit the BAA financial statements as part of our audit of the City's basic financial statements. BAA's financial activities are included in the City's basic financial statements as a discretely presented component unit and represent 12.26 percent, (32.25) percent, and 24.47 percent of the assets, net position, and revenues, respectively, of the City of Bessemer, Alabama's aggregate discretely presented component units.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Bessemer, Alabama's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Bessemer, Alabama 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Bessemer, Alabama 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of OPEB funding progress, the schedule of Changes in Net Pension Liability, and the Schedule of Employer Contributions information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bessemer, Alabama's basic financial statements. The combining and individual nonmajor fund financial statements, and the schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally

accepted in the United States of America by us and other auditors. In our opinion, based on our audit and the report of the other auditors, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory, supplementary information, and supplemental schedules, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022, on our consideration of the City of Bessemer, Alabama's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Bessemer, Alabama's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bessemer, Alabama's internal control over financial reporting and compliance.



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October 31, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

**CITY OF BESSEMER, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Bessemer's (the "City") discussion and analysis report provides an overview of the City's financial activities for the fiscal year ending September 30, 2021. The purpose of the Management's Discussion and Analysis (MD&A) is to provide a narrative about the transactions, events, and conditions that are reflected in the government's financial report and of the fiscal policies that govern its operations. Thus, both a short and long-term analysis of the government's activities will be presented.

FINANCIAL HIGHLIGHTS

- The City decreased its outstanding Warrants Payable by \$5.6 million in fiscal year 2021.
- The General Fund had an unassigned fund balance of \$15.8 million in 2021.
- The liabilities and deferred inflows of the governmental activities of the City exceeded its assets and deferred outflows at the close of the fiscal year ending September 30, 2021, by \$(26,700,010). Of this amount, \$65,830,966 is invested in capital assets, \$15,371,030 is restricted and a deficit of \$(107,902,006) is unrestricted.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$42,128,751.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. In addition to the basic financial statements, this report contains other supplementary information.

Government-Wide Financial Statements

The government-wide financial statements (see pages 14 – 16) are designed to provide readers with an overview of the City's finances in a manner that resembles that of private sector businesses. In these statements, governmental activities and business activities are consolidated into two columns, which are added together for a total for the City as a whole. In order to consolidate the two types of activities, they must both utilize the same measurement focus. Thus, the government-wide statements utilize the economic resources measurement focus and accrual basis of accounting. This contrasts with the fund financial statements, to be discussed later, which utilize the financial resources measurement focus and the modified-accrual basis of accounting.

Two statements comprise the government-wide statements. They are the Statement of Net Position and the Statement of Activities. Both of these statements provide information about the activities of the City as a whole and present a long-term view of the City's finances.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as net position. This statement combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term debt. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position for the City is improving or deteriorating.

The Statement of Activities presents information on both the gross expenses and the net costs, as well as how the government's net position changed during the most recent fiscal year. This statement is intended to facilitate the user's analysis of the cost of various governmental functions and/or subsidy to business-type activities. Revenues and expenses are posted in this statement for items that will result in cash flows for future fiscal periods. Both of the

**CITY OF BESSEMER, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges for services (business-type activities). The governmental activities of the City include general government, public safety, municipal court, streets, sanitation, and recreation services. The business-type activities of the City include electric service, water service, and civic center.

Fund Financial Statements

Fund financial statements provide more detailed information about the City's most significant or major funds, not the City as a whole. Funds are accounting mechanisms that the City uses to keep track of specific sources of funding and spending for a particular purpose. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has two types of funds: governmental funds and proprietary funds.

Governmental Funds

Most of the City's basic services are included in governmental funds, which focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to reconcile the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This reconciliation may allow readers to better understand the long-term impact of the government's near-term financing decisions. As a result, the governmental fund balance sheet provides a reconciliation to facilitate this comparison between governmental funds and governmental activities (see page 18). The City maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and the debt service fund, which are considered to be major funds. Data from the remaining ten nonmajor governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements later in this report (beginning on page 90).

The City of Bessemer adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the general fund budget.

Proprietary Funds

Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The City maintains three enterprise funds (a component of proprietary funds), Bessemer Civic Center, Bessemer Electric Service, and Bessemer Water Service. Enterprise funds are the same as the business-type activities reported in the government-wide financial statements but provide more detail and additional information such as cash flows for proprietary funds.

The proprietary fund financial statements on pages 21 through 25 provide separate information for the Bessemer Civic Center, Bessemer Electric Service, and Bessemer Water Service, and are considered to be major funds of the City.

**CITY OF BESSEMER, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

Component Units

Complete financial statements and/or other financial information for the discretely presented component units may be obtained at the administrative offices of the Governmental Utility Services Corp and the Bessemer Airport Authority. The statements are presented on page 26-28.

Notes to the Financial Statements

The notes to the financial statements provide additional essential information that will illuminate understanding of the data represented in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information that has resulted from the implementation of GASB Statement No. 34 which requires governments to report infrastructure and depreciate their capital assets.

Government-Wide Financial Analysis

The City's Total Primary Government Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, liabilities and deferred inflows exceeded assets and deferred outflows by \$(9,063,496) at the close of the most recent fiscal year.

**CONDENSED STATEMENT OF NET POSITION
September 30, 2021 and 2020**

(in dollars)	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Total Component Units</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>
Assets							
Current and Other							
Assets							
Capital Assets (Net)	51,500,947	31,258,082	41,584,970	37,045,266	93,085,917	68,303,348	4,543,188
Total Assets	67,686,748	65,051,608	45,501,914	41,716,417	113,188,662	106,768,025	34,371,344
Deferred Outflows	119,187,695	96,309,690	87,086,884	78,761,683	206,274,579	175,071,373	38,914,532
Liabilities	21,548,054	20,906,108	4,467,155	4,325,459	26,015,209	25,231,567	1,261,491
Current Liabilities	14,353,460	11,538,547	15,871,136	12,361,478	30,224,596	23,900,025	2,799,544
Long-Term Liabilities	147,457,701	145,805,418	56,944,466	54,396,539	204,402,167	200,201,957	48,120,710
Total Liabilities	161,811,161	157,343,965	72,815,602	66,758,017	234,626,763	224,101,982	50,920,254
Deferred Inflows	5,624,598	5,634,105	1,101,923	550,705	6,726,521	6,184,810	73,755
Net Position							
Invested in Capital Assets	65,830,966	64,922,498	21,425,341	17,132,585	87,256,307	82,055,083	(15,167,262)
Restricted	5,371,030	5,927,702	12,547,524	12,496,577	17,918,554	18,424,279	2,461,527
Unrestricted	(107,902,006)	(116,612,472)	(16,336,351)	(13,850,742)	(124,238,357)	(130,463,214)	1,887,749
Total Net Position	(36,700,010)	(45,762,272)	17,636,514	15,778,420	(19,063,496)	(29,983,852)	(10,817,986)

**CITY OF BESSEMER, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

The City's net position that is invested in capital assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other revenue sources, since the capital assets themselves cannot be liquidated to satisfy these liabilities.

The City's Total Primary Government Net Position increased by \$19,597,905 during the fiscal year ended September 30, 2021.

Government Activities

The City's Government Activities Net Position for governmental activities increased by \$16,392,472. This increase was the result of a variety of factors, including an increase in Covid-19 Grant Awards.

Business Type Expenses

The City's net position for business-type activities increased by \$3,034,593.

**CONDENSED STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
For the years ended September 30, 2021 and 2020**

(in dollars)	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		Total Component
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>Units</u> <u>2021</u>
Revenues							
Program Revenues:							
Charges for Services	2,502,123	2,458,834	52,996,119	54,811,753	55,498,242	57,270,587	8,992,771
Operating Grants	8,078,425	187,330			8,078,425	187,330	-
Capital Grants	1,367,327	1,023,596			1,367,327	1,023,596	612,474
General Revenues:							
Property Taxes	8,432,531	8,195,005			8,432,531	8,195,005	-
Sales Taxes	40,221,188	35,564,354			40,221,188	35,564,354	-
Occupational Taxes	8,993,175	7,197,257			8,993,175	7,197,257	-
Investment Earnings	372	28,425	95	122	467	28,547	129
Other	<u>11,087,676</u>	<u>10,683,012</u>	<u>(1,294,357)</u>	<u>(1,035,808)</u>	<u>9,793,319</u>	<u>9,647,204</u>	<u>124,898</u>
Total Revenues	<u>80,682,817</u>	<u>65,337,813</u>	<u>51,701,857</u>	<u>53,776,067</u>	<u>132,384,674</u>	<u>119,113,880</u>	<u>9,730,272</u>
Expenses							
Governmental Activities:							
General Government	14,876,363	13,306,255			14,876,363	13,306,255	-
Public Improvements	13,131,418	15,080,382			13,131,418	15,080,382	-
Public Safety	27,180,513	30,659,177			27,180,513	30,659,177	-
Cultural and Recreation	6,527,492	9,427,240			6,527,492	9,427,240	-

**CITY OF BESSEMER, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

	Interest on Long-Term Debt and Capital Lease	-	-					
Business-Type		2,574,559	2,707,514		2,574,559	2,707,514		-
Activities:								
	Electric		30,617,682	30,857,837	30,617,682	30,857,837		-
	Water		17,916,746	17,534,285	17,916,746	17,534,285		-
	Civic Center		132,836	198,240	132,836	198,240		-
Component Units								
Activities:								
	GUSC				-	-		6,508,838
	Bessemer Airport Authority				-	-		<u>2,423,228</u>
	Total Expenses	<u>64,290,345</u>	<u>71,180,568</u>	<u>48,667,264</u>	<u>48,590,362</u>	<u>112,957,609</u>	<u>119,770,930</u>	<u>8,932,066</u>
Change in Net Position		16,392,472	(5,842,755)	3,034,593	5,185,705	19,427,065	(657,050)	798,206
Beginning Net Position		(42,760,626)	(42,760,626)	15,778,420	4,715,202	(26,982,206)	(38,045,424)	(11,653,671)
Prior Period Adjustment		<u>(331,856)</u>	<u>2,582,705</u>	<u>(1,176,499)</u>	<u>5,877,513</u>	<u>(1,508,355)</u>	<u>8,460,218</u>	<u>37,479</u>
Ending Net Position		<u>(26,700,010)</u>	<u>(46,020,676)</u>	<u>17,636,514</u>	<u>15,778,420</u>	<u>(9,063,496)</u>	<u>(30,242,256)</u>	<u>(10,817,986)</u>

**CITY OF BESSEMER, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

Governmental Activities

The City's governmental fund balance increased \$17,495,917 from \$24,081,324 in fiscal year 2020 to \$41,577,241 in fiscal year 2021.

The City had an unassigned fund balance at the end \$16.4 million at the end of fiscal year 2021. This unassigned fund balance is a good indicator of the City's ability to meet its' current obligations.

Fund Financial Analysis

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Using funds to account for the resources for particular purposes helps the reader to determine the City's accountability for these resources whether provided by taxpayers and or other entities, and to help provide more insight on the City's overall health.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Changes in fund balances for governmental funds for the fiscal year ended September 30, 2021, are as follows:

Governmental Funds			
Fund Balances			
As of September 30, 2021, and 2020			
	Fund Balance	Increase	Fund Balance
	<u>2020</u>	<u>(Decrease)</u>	<u>2021</u>
General Fund	\$ 18,153,622	\$ 8,052,589	\$ 26,206,211
Capital Projects Fund	11,176	4,678	15,854
Special Revenue	5,009,450	8,908,556	13,918,006
Debt Service	<u>907,076</u>	<u>530,094</u>	<u>1,437,170</u>
Total Fund Balance	<u>\$ 24,081,324</u>	<u>\$ 17,495,917</u>	<u>\$ 41,577,241</u>

Proprietary Funds			
Net Position			
As of September 30, 2021, and 2020			
	Net Position	Increase	Net Position
	<u>2020</u>	<u>(Decrease)</u>	<u>2021</u>
Electric	\$ 15,633,244	\$ (1,960,691)	\$ 13,672,553
Water	638,465	3,744,637	4,383,102
Civic Center	<u>(493,289)</u>	<u>74,148</u>	<u>(419,141)</u>
Total Net Position	<u>\$ 15,778,420</u>	<u>\$ 1,858,094</u>	<u>\$ 17,636,514</u>

**CITY OF BESSEMER, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

**Budget Variances in
General Fund Budget
For Year Ended September 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Assigned Funds on Hand	\$ 2,506,152	\$ -	\$ (2,506,152)
Revenues	<u>58,002,566</u>	<u>62,745,668</u>	<u>4,743,102</u>
Total	60,508,718	62,745,668	
Expenditures	<u>59,178,566</u>	<u>57,473,877</u>	<u>1,704,689</u>
Over/Under Revenue		5,271,791	2,100,867
Other Financing Sources		2,380,862	410,526
Net Change in Fund Balance		<u>\$ 7,652,653</u>	<u>\$ 2,511,393</u>

The City's budget included funds on hand in the amount of \$2,506,152.

During fiscal year 2021 fiscal year, actual revenues, excluding funds on hand, exceeded actual expenses by \$5,271,791. This is due to multiple variables such slight increases in sales tax revenue and occupational tax revenue, as well as management's ability to operate within allocated budgets.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets Activity

The City's investment in capital assets as of September 30, 2021, amounts to \$67,686,748 for governmental activities. This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure. The notes to the financial statements report more information on capital assets, including changes that occurred during the fiscal year.

**CAPITAL ASSETS
September 30, 2021 and 2020**

(in dollars)	Total					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Primary Government</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land	1,325,177	1,325,177	476,854	476,854	1,802,031	1,802,031
Construction in Progress	2,837,396	2,200,805	7,796,006	3,588,450	10,633,402	5,789,255
Property Held for Sale	256,552	256,552	-	-	256,552	256,552
Buildings and Capital Facilities	36,482,712	36,309,862	5,097,014	5,077,717	41,579,726	41,387,579
Furniture and Fixtures	23,955,634	22,402,120	8,855,453	8,665,020	32,811,087	31,067,140
Plant Equipment	-	-	75,832,007	74,457,901	75,832,007	74,457,901

**CITY OF BESSEMER, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

Infrastructure	<u>40,605,319</u>	<u>40,519,445</u>	-	-	<u>40,605,319</u>	<u>40,519,445</u>
Total Capital Assets	105,462,790	103,013,961	98,057,334	92,265,942	203,520,124	195,279,903
Less: Accumulated Depreciation	<u>(37,776,042)</u>	<u>(35,712,114)</u>	<u>(52,555,420)</u>	<u>(50,599,215)</u>	<u>(90,331,462)</u>	<u>(86,311,329)</u>
Net Capital Assets	<u>67,686,748</u>	<u>67,301,847</u>	<u>45,501,914</u>	<u>41,666,727</u>	<u>113,188,662</u>	<u>108,968,574</u>

**Long-Term Debt Activity
OUTSTANDING DEBT
September 30, 2021 and 2020**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Primary Government</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>20120</u>
Warrants Payable	\$ 55,225,000	\$ 57,472,102	\$35,260,364	\$36,294,717	\$ 90,485,364	\$ 93,766,819
Capital Leases	1,855,782	-	95,427	140,542	1,951,209	140,542
OPEB Liability	32,386,984	32,386,984	6,852,708	6,003,541	39,239,692	38,390,525
Net Pension Obligation	55,775,318	53,322,148	12,119,166	11,368,841	67,894,484	64,690,989
Compensated Absences	6,365,711	7,228,976	1,647,370	1,582,831	8,013,081	8,811,807
Other	<u>266,845</u>	<u>266,845</u>	<u>-</u>	<u>-</u>	<u>266,845</u>	<u>266,845</u>
Total Outstanding Debt	<u>\$151,875,640</u>	<u>\$150,677,055</u>	<u>\$55,975,035</u>	<u>\$55,390,472</u>	<u>\$207,850,675</u>	<u>\$206,067,527</u>

**CITY OF BESSEMER, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

Economic Factors Affecting the City of Bessemer and the 2021 Budget and Debt Information

The City of Bessemer ended 2021 on a high note economically,

Amazon is the State of Alabama's first Robotics Fulfillment Center in Bessemer. The facility employed upwards of 5,000 full and part-time workers, making it the largest employer in the city. Wages at the facility start at \$15 an hour.

Additionally Amazon a Delivery Station on Lakeshore Parkway in Bessemer which employs another 200 or so full and part-time employees.

Carvana, Lowe's Home Improvement and FedEx each have open a distribution center in Bessemer. The new facilities employ an estimated 1,000 people. The FedEx facility span the jurisdictional lines between Bessemer and the city of Birmingham.

The number of persons employed in various occupations in Bessemer has risen from 14,967 in 2008 to more than 17,837 in 2021. These numbers do not include the full number of workers employed at Amazon's facility on Powder Plant Road as of December 2020 or the new employees connected with the upcoming distribution centers at Carvana, Lowe's and FedEx.

The numbers of Bessemer residents employed in various occupations stood at 9,950 in December 2021, according to Census estimates. This is slightly less than the 10,970 persons living in Bessemer who were employed in 2010. However, these figures do not account for the loss in the overall population in the city between 2010 and the most recent Census estimates. The city's population in 2010 was 27,672 and is estimated at 26,680 in 2019.

Bessemer ended 2021 with a labor force participation rate of 53.9 percent. The unemployment rate in the city was 3.8 percent as of December 2021, according to the Alabama Department of Labor. This is lower than the 4.3 percent rate in December 2020, according to the agency, and can be attributed to the impacts of the pandemic on the workforce.

The median household income in Bessemer is \$31,160 and the median house value is \$83,500.

With the growing job market in Bessemer, the need for workforce housing continues to grow.

Construction was completed in 2021 on two new hotels in the Academy Business Park area. In addition, two new seafood establishments opened in the business park off Interstate 20/59 in 2021. Construction was completed in 2021 on the city' first free-standing Starbucks Coffee Shop along Academy Drive.

The Census Tract that includes Downtown Bessemer and the city's Downtown Historic District is designated as an Opportunity Zone by the United States Treasury. Opportunity Zones were created in the Tax Cut and Jobs Act in December 2017. The city has reorganized its Downtown Redevelopment Authority and contracted for master planning of the Downtown neighborhood to promote growth in the city core.

Finally, the Bessemer Airport has over 20 aircraft owners on a hangar wait list and is evaluating a feasibility study for constructing additional hangars. A \$2.7 million FAA Runway Renovation Project has been completed.

The City anticipates continued economic growth in 2021 and will continue to explore ways to attract new business and industry into its corporate limits. The demand for housing for these workers is already emerging in the city's planning efforts. Bessemer is open for business and wants to retain a solid reputation of being business-friendly and a great place to call home.

**CITY OF BESSEMER, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

Budget Information

On or before October 1 of each year, City Administrators prepare and submit an annual budget to be adopted by the City Council. The comparison of the FY 2021 general fund budget to the actual results is detailed in the "Statement of Revenues, Expenditures, and Changes in Fund Balances" - Budget to Actual.

The budget for fiscal year 2020-2021 was passed for \$59,178,566.

Capital Assets and Debt Administration – Governmental Activities

Capital Assets – The City's investment in capital assets for governmental activities for the year ended September 30, 2021, amounted to \$65,830,966, net of accumulated depreciation. The City's investment in capital assets includes land, infrastructure, buildings, furniture and fixtures, equipment, vehicles, and construction in progress. The City's assets are valued at historical cost where available and estimated historical cost where actual cost is not available.

Debt – The City had long-term debt of \$63.1 million at the end of fiscal year 2021. Long-term debt includes warrants payable, capital lease payable, and compensated absences. The City decreased its governmental activities long-term debt by \$6.7 million during fiscal year 2021.

Bessemer Utilities – Electric

During fiscal year 2021, the Electric Service continued its' upgrade of transmission lines and maintenance of substations and equipment.

Bessemer Utilities – Water

During fiscal year 2021, Bessemer Water Service continues to evaluate its need for capital improvements, including its purchase of plant equipment necessary to increase operating efficiency. Furthermore, Bessemer Water continued its' efforts to undertake minor and some major infrastructure improvements in Bessemer, Ross Bridge, Alabaster, Midfield, Hueytown, and other service areas. The projects, as approved, are closely aligned with the efficiency and safety of our area's infrastructure. Bessemer Water has included in its 2021 budget, scheduled tank improvements per its tank repair/maintenance plan. Other projected 2021 plans consist of upgrades identified by City engineers, as necessary to provide for additional growth in the system, as well as increase the reliability and the level of service to the existing City customers. The 2021 projects included completion of (a) a new water tank on 15th Street, (b) pumping capacity upgrades to the Maxwell and Eastern Valley booster pump stations, and (c) piping upgrades for the Maxwell and Eastern booster pump stations.

Water Revenue Warrants Series 2017 were issued on December 28, 2017, for \$27,455,000. The Series 2017 Warrants were issued to: a) refund all the outstanding Series 2008 Water Revenue Warrants, b) finance the cost of improvements, and c) pay the cost of issuing the Series 2017 Warrants.

Request for Information

This financial report is designed to give a general overview of the City's finances. Questions concerning any of the information in this report may be sent to the City's Finance Principal Accountant, Alicia C. Fowlkes,, City of Bessemer, 1700 Third Avenue North, Bessemer, Alabama 35020.

BASIC FINANCIAL STATEMENTS

THE CITY OF BESSEMER, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>	<u>Component Units</u>
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 39,677,877	\$ 9,068,646	\$ 48,746,523	\$ 746,895
Cash and cash equivalents - Restricted	1,442,946	12,602,673	14,045,619	3,153,067
Accounts Receivable				
Accounts	3,997,948	12,285,507	16,283,455	506,278
Loans Receivable	1,521,226		1,521,226	
Due from Proprietary Funds	541,473	6,948,605	7,490,078	
Due from Other Funds and Governments	3,569,347		3,569,347	
Inventories	-	565,555	565,555	49,721
Prepaid Expenses	328,446	113,984	442,430	87,227
Total Current Assets	<u>51,079,263</u>	<u>41,584,970</u>	<u>92,664,233</u>	<u>4,543,188</u>
Noncurrent Assets				
Capital assets:				
Nondepreciable				
Land	1,325,177	476,854	1,802,031	3,073,353
Property Held for Resale	256,552		256,552	
Construction in Progress	2,837,396	7,796,006	10,633,402	143,584
Depreciated				
Building and Capital Facilities	36,482,712	89,784,474	126,267,186	51,232,095
Furniture and Other Equipment	23,955,634		23,955,634	1,497,306
Infrastructure	40,605,319		40,605,319	1,797,802
Accumulated Depreciation	(37,776,042)	(52,555,420)	(90,331,462)	(23,372,796)
Total Capital Assets	<u>67,686,748</u>	<u>45,501,914</u>	<u>113,188,662</u>	<u>34,371,344</u>
Other Assets				
Deferred Loans Receivable	421,684		421,684	
Total NonCurrent Assets	<u>68,108,432</u>	<u>45,501,914</u>	<u>113,610,346</u>	<u>34,371,344</u>
Total Assets	<u>119,187,695</u>	<u>87,086,884</u>	<u>206,274,579</u>	<u>38,914,532</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows Related to Pension Liability	10,175,387	2,060,937	12,236,324	170,247
Deferred Outflows Related to OPEB Liability	6,922,055	1,126,729	8,048,784	-
Deferred Charge on refunding of Debt	1,262,883	1,279,489	2,542,372	1,091,244
Deferred charge on Acquisition	3,187,729		3,187,729	-
TOTAL OUTFLOWS OF RESOURCES	<u>21,548,054</u>	<u>4,467,155</u>	<u>26,015,209</u>	<u>1,261,491</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 140,735,749</u>	<u>\$ 91,554,039</u>	<u>\$ 232,289,788</u>	<u>\$ 40,176,023</u>

See independent auditors' report and notes to financial statements.

THE CITY OF BESSEMER, ALABAMA
STATEMENT OF NET POSITION - CONTINUED
SEPTEMBER 30, 2021

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>	<u>Component Units</u>
LIABILITIES				
Current Liabilities				
Account payable	\$ 5,156,417	\$ 6,365,039	\$ 11,521,456	\$ 414,740
Accrued payroll and payroll taxes payable	1,350,182		1,350,182	
Accrued interest	337,070		337,070	731,170
Due to other funds	3,417,107	8,175,691	11,592,798	
Other liabilities			-	28,680
Current Maturities of Long-term liabilities:				
Compensated absences	1,018,514	263,580	1,282,094	
Capital lease payable	289,170	46,826	335,996	
Bonds and Warrants payable	2,785,000	1,020,000	3,805,000	1,624,954
Total Current Liabilities	<u>14,353,460</u>	<u>15,871,136</u>	<u>30,224,596</u>	<u>2,799,544</u>
Noncurrent Liabilities				
Capital lease payable	1,566,612	48,601	1,615,213	
OPEB liability	32,386,984	6,852,708	39,239,692	
Net Pension obligation	55,775,318	12,119,166	67,894,484	207,058
Compensated absences	5,347,197	1,383,790	6,730,987	
Bonds and Warrants payable	52,114,745	34,240,364	86,355,109	47,913,652
Closure and postclosure costs	266,845		266,845	
Other liabilities	-	2,299,837	2,299,837	
Total Noncurrent Liabilities	<u>147,457,701</u>	<u>56,944,466</u>	<u>204,402,167</u>	<u>48,120,710</u>
Total Liabilities	<u>161,811,161</u>	<u>72,815,602</u>	<u>234,626,763</u>	<u>50,920,254</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows Related to Pension Liability	34,228	7,437	41,665	73,755
Deferred Inflows Related to OPEB Liability	5,590,370	1,094,486	6,684,856	
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,624,598</u>	<u>1,101,923</u>	<u>6,726,521</u>	<u>73,755</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>167,435,759</u>	<u>73,917,525</u>	<u>241,353,284</u>	<u>50,994,009</u>
NET POSITION				
Invested in capital assets, net of related debt	65,830,966	21,425,341	87,256,307	(15,167,262)
Restricted for:				
Debt service	1,437,170	12,547,524	13,984,694	2,461,527
Capital projects	15,854		15,854	
Community development loans	2,808,290		2,808,290	
Special projects	11,109,716		11,109,716	
Unrestricted	(107,902,006)	(16,336,351)	(124,238,357)	1,887,749
Total Net Position	<u>(26,700,010)</u>	<u>17,636,514</u>	<u>(9,063,496)</u>	<u>(10,817,986)</u>
Total Liabilities and Net Position	<u>\$ 140,735,749</u>	<u>\$ 91,554,039</u>	<u>\$ 232,289,788</u>	<u>\$ 40,176,023</u>

See independent auditors' report and notes to financial statements.

THE CITY OF BESSEMER, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

ACTIVITIES:	Expenses	PROGRAMS REVENUES			Net (Expense)	Business - Type Activities	Total	Component Unit
		Fines, Fees, and Charges for Services	Operating Grants & Contribution	Capital Grants & Contribution	Revenues and Changes in Net Position			
					Governmental Activities			
Governmental Activities:								
General Government	\$ 14,876,363	\$ 360,795	7,874,606	\$ 1,367,327	\$ (5,273,635)		\$ (5,273,635)	
Law enforcement	15,066,970	1,376,068	203,819		(13,487,083)		(13,487,083)	
Fire department	12,113,543	-	-		(12,113,543)		(12,113,543)	
Public Improvements	13,131,418	-	-		(13,131,418)		(13,131,418)	
Health, welfare, and public services	3,097,789				(3,097,789)		(3,097,789)	
Recreation	3,429,703	765,260			(2,664,443)		(2,664,443)	
Interest on long-term debt	2,574,559				(2,574,559)		(2,574,559)	
Total government activities	<u>64,290,345</u>	<u>2,502,123</u>	<u>8,078,425</u>	<u>1,367,327</u>	<u>(52,342,470)</u>	<u>-</u>	<u>(52,342,470)</u>	
Business - Type Activities:								
Civic Center	132,836	219,000		-		86,164	86,164	
Electric Service	30,617,682	31,134,389		-		516,707	516,707	
Water Service	17,916,746	21,642,730		-		3,725,984	3,725,984	
Total Business - Type Activities	<u>48,667,264</u>	<u>52,996,119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,328,855</u>	<u>4,328,855</u>	
Total Primary Government Activities	<u>112,957,609</u>	<u>55,498,242</u>	<u>8,078,425</u>	<u>1,367,327</u>	<u>(52,342,470)</u>	<u>4,328,855</u>	<u>(48,013,615)</u>	
Component Units								
Government Utility Service Corporation	6,508,838	7,255,110		-				746,272
Bessemer Airport Authority	2,423,228	1,737,661		612,474				(73,093)
	<u>\$ 8,932,066</u>	<u>\$ 8,992,771</u>	<u>\$ -</u>	<u>\$ 612,474</u>				<u>673,179</u>
General Revenues								
Sales and use taxes					40,221,188		40,221,188	
Occupational tax					8,993,175		8,993,175	
Real and personal property tax					8,432,513		8,432,513	
Other taxes					2,429,258		2,429,258	
Business license and permits					6,025,439		6,025,439	
Franchise fees					265,587		265,587	
Other income					902,183	95	902,278	64,898
City Allocation					-		-	60,000
Unrestricted investment earnings					372		372	129
Transfers In (Out)					1,465,227	(1,123,517)	341,710	
Loss on disposal of assets					-		-	
Total General Revenues					<u>68,734,942</u>	<u>(1,123,422)</u>	<u>67,611,520</u>	<u>125,027</u>
Change in Net Position					<u>16,392,472</u>	<u>3,205,433</u>	<u>19,597,905</u>	<u>798,206</u>
Net Position -Beginning					(42,760,626)	15,778,420	(26,982,206)	(11,653,671)
Prior Period Adjustment					(331,856)	(1,347,339)	(1,679,195)	37,479
Net Position - Ending					<u>\$ (26,700,010)</u>	<u>\$ 17,636,514</u>	<u>\$ (9,063,496)</u>	<u>\$ (10,817,986)</u>

THE CITY OF BESSEMER, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

ASSETS	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals Governmental Funds
Cash and Cash Equivalents	\$ 25,198,640		\$ 14,479,237	\$ 39,677,877
Cash with Escrow Agents		\$ 1,437,170	5,776	1,442,946
Accounts Receivable	3,772,647		225,301	3,997,948
Loans Receivable			1,521,226	1,521,226
Due from Other Funds	2,683,681		733,426	3,417,107
Due from Proprietary Funds	541,473			541,473
Due from Other Governments	152,240			152,240
Inventory	-			-
Prepaid Expenses	328,446			328,446
Deferred Loans Receivable	-		421,684	421,684
Total Assets	32,677,127	1,437,170	17,386,650	51,500,947
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts and Vouchers Payable	4,392,058		764,359	5,156,417
Accrued Payroll and Payroll Taxes Payable	1,350,182			1,350,182
Due to Other Funds and Governments	728,676		2,688,431	3,417,107
Total Liabilities	6,470,916	-	3,452,790	9,923,706
Fund Balances				
Nonspendable	328,446			328,446
Restricted	1,269,112	1,437,170	13,933,860	16,640,142
Committed	4,121,269			4,121,269
Assigned	4,641,077			4,641,077
Unassigned	15,846,307	-	-	15,846,307
Total fund balance	26,206,211	1,437,170	13,933,860	41,577,241
Total Liabilities and Fund Balances	\$ 32,677,127	\$ 1,437,170	\$ 17,386,650	\$ 51,500,947

**THE CITY OF BESSEMER, ALABAMA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

Total fund balances-governmental funds \$ 41,577,241

Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds:

Land	1,325,177	
Property held for resale	256,552	
Construction in progress	2,837,396	
Buildings and capital facilities	36,482,712	
Furniture and fixtures	23,955,634	
Infrastructure	40,605,319	
Accumulated depreciation	<u>(37,776,042)</u>	
Total capital assets		67,686,748

Long-term liabilities, including warrants payable, and accrued interest are not due and payable in the current period and therefore are not reported in the governmental funds, Balances at September 30, 2021 were:

Warrants payable	55,225,000	
Unamortized premium	4,853	
Unamortized discount	(330,108)	
Deferred charge on refunding of debt	(1,262,883)	
Deferred charge on acquisition	(3,187,729)	
Accrued Interest	337,070	
Closure and postclosure costs	266,845	
Net pension obligation	55,775,318	
Deferred outflow related to pension liability	(10,175,387)	
Deferred inflow related to pension liability	34,228	
OPEB liability	32,386,984	
Deferred outflow related to OPEB liability	(6,922,055)	
Deferred inflow related to OPEB liability	5,590,370	
Compensated absences	6,365,711	
Capital lease payable	<u>1,855,782</u>	
Total long-term liabilities		<u>(135,963,999)</u>

Net position of governmental activities \$ (26,700,010)

See independent auditors' report and notes to financial statements.

THE CITY OF BESSEMER, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals Governmental Funds</u>
REVENUES:				
Taxes	\$ 53,691,586	\$ 2,560,807	3,970,707	\$ 60,223,100
License and permits	6,025,439			6,025,439
Grants and intergovernmental	1,178,550		8,081,152	9,259,702
Charges and fees for services	1,113,254		1,395,995	2,509,249
Franchise fees	265,587			265,587
Investment Income	201	171		372
Other	471,051		463,090	934,141
Total Revenues	<u>62,745,668</u>	<u>2,560,978</u>	<u>13,910,944</u>	<u>79,217,590</u>
EXPENDITURES:				
Current operations:				
General government	11,424,676	78,420	801,673	12,304,769
Law enforcement	13,162,813		1,074,614	14,237,427
Fire protection	11,669,408			11,669,408
Public Improvement	11,708,526		615,749	12,324,275
Health, welfare, and public services	3,097,789		-	3,097,789
Recreation	2,975,493		-	2,975,493
Capital outlay	3,195,172		495,309	3,690,481
Debt Service:				
Principal payments	240,000	5,570,000		5,810,000
Interest and fiscal charges		2,199,846		2,199,846
Total Expenditures	<u>57,473,877</u>	<u>7,848,266</u>	<u>2,987,345</u>	<u>68,309,488</u>
Excess of Revenues Over (Under)				
Expenditures	<u>5,271,791</u>	<u>(5,287,288)</u>	<u>10,923,599</u>	<u>10,908,102</u>
OTHER FINANCING SOURECES (USES)				
Transfers in	1,512,373	2,857,382	813,870	5,183,625
Transfers out	(1,227,293)		(2,491,105)	(3,718,398)
Proceeds from Long-term borrowings	2,095,782	2,960,000		5,055,782
Total other financing Sources (Uses)	<u>2,380,862</u>	<u>5,817,382</u>	<u>(1,677,235)</u>	<u>6,521,009</u>
Net Change in Fund Balances	<u>7,652,653</u>	<u>530,094</u>	<u>9,246,364</u>	<u>17,429,111</u>
Fund Balance -Beginning	18,153,622	907,076	5,020,626	24,081,324
Prior Period Adjustment	399,936	-	(333,130)	66,806
Fund Balance - Ending	<u>\$ 26,206,211</u>	<u>\$ 1,437,170</u>	<u>\$ 13,933,860</u>	<u>\$ 41,577,241</u>

See independent auditors' report and notes to financial statements.

THE CITY OF BESSEMER , ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS
TO THE THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Net change in fund balances-total governmental funds		\$ 17,429,111
Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Position.		3,690,481
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.		(3,168,173)
Repayment of long-term debt is reported as an expenditure in governmental funds, but a reduction of long-term liabilities in the Statement of Net Position:		
Warrants payable	5,570,000	
Capital leases payable	240,000	
Total repayments		5,810,000
The issuance of long-term debt(e.g., warrants, bonds, and leases) provides current financial resources to government funds, while repayment of principal of long-term debt consumes the current financial resources of governmental funds.		
Warrants payable		(2,960,000)
Capital lease financing		(2,095,782)
Debt discounts are reported in governmental funds as expenditures. However, these items are deferred on the Statement of Net Position and are amortized over the life of the debt. Debt refunding losses are deferred on the Statement of Net Position and amortized over the life of the new debt or refunded debt depending upon which has the shortest maturity date.		
Amortization of bond discount		(44,941)
Amortization of bond premium		7,298
Amortization of deferred charge on debt refunding		(212,261)
Amortization of deferred charge on acquisition of District and CDA		(694,605)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Accrued interest expense		(337,070)
Change in net pension obligation		(1,894,851)
Change in net OPEB obligation		-
Change in post closure costs		-
Compensated absences		863,265
Change in net position governmental activities		\$ 16,392,472

See independent auditors' report and notes to financial statements.

THE CITY OF BESSEMER, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Bessemer Electric Service	Bessemer Water Service	Civic Center	Total Proprietary Funds
ASSETS				
CURRENT ASSETS				
Cash on deposit	\$ 2,383,683	\$ 6,602,886	\$ 82,077	\$ 9,068,646
Cash on deposit - restricted	1,797,321	2,314,805		4,112,126
Certificate of deposit - restricted	55,150			55,150
Investments - restricted		8,435,397		8,435,397
Accounts receivable	11,697,451	585,036	3,020	12,285,507
Merchandising, jobbing, and other receivables				-
Due from other funds	1,109,134	5,839,471		6,948,605
Materials and supplies	157,229	408,326		565,555
Prepaid expenses	113,984			113,984
Total current assets	17,313,952	24,185,921	85,097	41,584,970
CAPITAL ASSETS				
Land held for future use	291,359	185,495		476,854
Construction in progress	251,908	7,544,098		7,796,006
Building and capital facilities	48,779,382	37,098,578	3,906,514	89,784,474
Less accumulated depreciation	(25,952,095)	(22,736,087)	(3,867,238)	(52,555,420)
TOTAL CAPITAL ASSETS, NET	23,370,554	22,092,084	39,276	45,501,914
TOTAL ASSETS	40,684,506	46,278,005	124,373	87,086,884
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension liability	1,032,226	1,028,711		2,060,937
Deferred charge on other than pension benefits	523,981	755,508		1,279,489
Deferred charge on refunding of debt	356,764	769,965	-	1,126,729
	1,912,971	2,554,184	-	4,467,155
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 42,597,477	\$ 48,832,189	\$ 124,373	\$ 91,554,039

See independent auditors' report and notes to financial statements.

THE CITY OF BESSEMER, ALABAMA
STATEMENT OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Bessemer Electric Service	Bessemer Water Service	Civic Center	Total Proprietary Funds
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 2,362,998	\$ 1,290,777	\$ 2,041	\$ 3,655,816
Payable to other municipalities		2,709,223		2,709,223
Current maturities of revenue warrants	480,000	540,000		1,020,000
Capital lease obligation	46,826	-		46,826
Compensated absences	112,360	151,220		263,580
Due to other funds	7,634,218		541,473	8,175,691
Total current liabilities	<u>10,636,402</u>	<u>4,691,220</u>	<u>543,514</u>	<u>15,871,136</u>
OTHER LIABILITIES				
Revenue warrants, less current portion	7,129,499	27,110,865		34,240,364
Capital lease obligation	48,601	-		48,601
Compensated absences	589,887	793,903		1,383,790
Customer deposits	2,299,837	-		2,299,837
Net pension obligations	4,963,087	7,156,079		12,119,166
OPEB liability	2,806,347	4,046,361		6,852,708
Other liabilities			-	-
Total other liabilities	<u>17,837,258</u>	<u>39,107,208</u>	<u>-</u>	<u>56,944,466</u>
TOTAL LIABILITIES	<u>28,473,660</u>	<u>43,798,428</u>	<u>543,514</u>	<u>72,815,602</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension liability	3,046	4,391		7,437
Deferred charge on other than pension benefits	448,218	646,268		1,094,486
NET POSITION				
Investment in capital assets, net of related debt	15,711,095	5,714,246		21,425,341
Restricted	1,797,322	10,750,202		12,547,524
Unrestricted (deficit)	(3,835,864)	(12,081,346)	(419,141)	(16,336,351)
Total Net Position	<u>13,672,553</u>	<u>4,383,102</u>	<u>(419,141)</u>	<u>17,636,514</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 42,597,477</u>	<u>\$ 48,832,189</u>	<u>\$ 124,373</u>	<u>\$ 91,554,039</u>

See independent auditors' report and notes to financial statements.

THE CITY OF BESSEMER, ALABAMA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEARS ENDED SEPTEMBER 30, 2021

	Bessemer Electric Service	Bessemer Water Service	Civic Center	Total Proprietary Funds
OPERATING REVENUES				
Service fees	\$ 30,436,989	\$ 21,030,478	\$ 211,839	\$ 51,679,306
Other	697,400	612,252	7,161	1,316,813
Total operating revenues	<u>31,134,389</u>	<u>21,642,730</u>	<u>219,000</u>	<u>52,996,119</u>
OPERATING EXPENSES				
Direct cost of services	23,026,929	7,292,501		30,319,430
Power and pumping	-	670,902		670,902
Distribution - operations and maintenance	3,426,519	3,841,061	60,180	7,327,760
Customer accounting and collection	1,084,303	1,051,084		2,135,387
Bad debt expense	-	-		-
Administrative and General	1,699,837	2,598,612	67,449	4,365,898
Depreciation expense	1,003,363	903,405	5,207	1,911,975
Tax Equivalents	5,819	197,985		203,804
Payroll taxes	212,228	256,667		468,895
Total operating expenses	<u>30,458,998</u>	<u>16,812,217</u>	<u>132,836</u>	<u>47,404,051</u>
OPERATING INCOME	<u>675,391</u>	<u>4,830,513</u>	<u>86,164</u>	<u>5,592,068</u>
NONOPERATING INCOME (EXPENSES)				
Interest income	11,566	773	95	12,434
Interest expense	(126,951)	(1,133,306)		(1,260,257)
Amortization of bond costs	(43,299)	28,004		(15,295)
Total nonoperation income (expenses)	<u>(158,684)</u>	<u>(1,104,529)</u>	<u>95</u>	<u>(1,263,118)</u>
Income before transfers	516,707	3,725,984	86,259	4,328,950
Transfers - out	<u>(1,123,517)</u>	<u>-</u>	<u>-</u>	<u>(1,123,517)</u>
CHANGE IN NET POSITION	<u>(606,810)</u>	<u>3,725,984</u>	<u>86,259</u>	<u>3,205,433</u>
PRIOR PERIOD CORRECTION	<u>(1,353,881)</u>	<u>18,653</u>	<u>(12,111)</u>	<u>(1,347,339)</u>
NET POSITION AT BEGINNING OF YEAR	<u>15,633,244</u>	<u>638,465</u>	<u>(493,289)</u>	<u>15,778,420</u>
NET POSITION AT END OF YEAR	<u>\$ 13,672,553</u>	<u>\$ 4,383,102</u>	<u>\$ (419,141)</u>	<u>\$ 17,636,514</u>

See independent auditors' report and notes to financial statements.

**THE CITY OF BESSEMER, ALABAMA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEARS ENDED SEPTEMBER 30, 2021**

	Bessemer Electric Service	Bessemer Water Service	Civic Center	Total Proprietary Funds
INCREASE (DECREASE) IN CASH ON DEPOSIT				
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 26,567,521	\$ 22,165,222	\$ 219,000	\$ 48,951,743
Cash payments to employees for services	(3,324,575)	(3,943,235)		(7,267,810)
Cash paid to suppliers for goods and services	(23,991,640)	(10,340,304)	(131,644)	(34,463,588)
Net cash provided by operating activities	(748,694)	7,881,683	87,356	7,220,345
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal payments on warrants	(465,000)	(520,000)		(985,000)
Principal payments on capital lease	(45,115)	-		(45,115)
Interest paid	(302,404)	(1,138,607)	-	(1,441,011)
Net cash used by capital and related financing activities	(812,519)	(1,658,607)	-	(2,471,126)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(1,003,636)	(6,503,608)	(5,374)	(7,512,618)
Investment in restricted accounts				-
Interest received	11,566	773	95	12,434
Net cash provided (used) by investing activities	(992,070)	(6,502,835)	(5,279)	(7,500,184)
NET INCREASE (DECREASE) IN CASH ON DEPOSIT	(2,553,283)	(279,759)	82,077	(2,750,965)
CASH ON DEPOSIT AT BEGINNING OF THE YEAR	6,789,437	9,197,450		15,986,887
CASH ON DEPOSIT AT END OF THE YEAR	\$ 4,236,154	\$ 8,917,691	\$ 82,077	\$ 13,235,922
CASH ON DEPOSIT CONSISTED OF THE FOLLOWING:				
Current assets	\$ 2,383,683	\$ 6,602,886	\$ 82,077	9,068,646
Restricted assets	1,852,471	2,314,805		4,167,276
Total	\$ 4,236,154	\$ 8,917,691	\$ 82,077	\$ 13,235,922

See independent auditors' report and notes to financial statements.

**THE CITY OF BESSEMER, ALABAMA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED SEPTEMBER 30, 2021**

	Bessemer Electric Service	Bessemer Water Service	Civic Center	Total Proprietary Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
OPERATING INCOME (LOSS)	\$ 675,391	\$ 4,830,513	\$ 86,164	\$ 5,592,068
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Depreciation	1,003,363	903,405	5,207	1,911,975
Bad debts				-
Changes in assets and liabilities:				
Accounts receivable	(4,566,869)	522,492	-	(4,044,377)
Prepaid expenses	26,801	18,436		45,237
Due from other funds	(723,898)	(798,838)		(1,522,736)
Inventories	109,043	92,054		201,097
Deferred outflows of pension resources	765,372	(1,220)		764,152
Deferred benefit outflows other than pension resources	(423,259)	(610,281)		(1,033,540)
Accrued interest payable	(4,584)	(5,301)		(9,885)
Accounts payable	118,000	317,300	(226)	435,074
Salaries and wages payable	(17,793)	66,423		48,630
Compensated Absences	95,754	(31,216)		64,538
Due to other funds	798,630	-	(3,789)	794,841
Customer Deposits	514,619	-		514,619
Payable to other municipalities		1,307,973		1,307,973
Deferred inflows of pension resources	(846)	(1,220)		(2,066)
Other employee pension benefits (OPEB) liability	226,583	501,413		727,996
Deferred benefit inflows other than pension resources	347,754	326,701		674,455
Net pension liability	307,276	443,049		750,325
Total adjustments	(1,424,054)	3,051,170	1,192	1,628,308
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (748,663)	\$ 7,881,683	\$ 87,356	\$ 7,220,376

**SUPPLEMENTAL DISCLOSURE OF NONCASH
AND RELATED FINANCING ACTIVITIES**

Decrease in original debt discount cost	\$ 15,315	
Decrease in original premium on debt issuance		\$ (64,668)
Decrease in original loss on refunding of debt	\$ 27,984	\$ 36,664

See independent auditors' report and notes to financial statements.

**THE CITY OF BESSEMER, ALABAMA
STATEMENT OF NET POSITION
COMPONENT UNITS
SEPTEMBER 30, 2021**

	<u>Governmental Utility Services Corp</u>	<u>Bessemer Airport Authority</u>	<u>Total Component Units</u>
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ 84,127	\$ 662,768	\$ 746,895
Cash and investments - restricted	3,153,067		3,153,067
Accounts receivable, net allowance for uncollectible accounts	286,948	219,330	506,278
Inventory		49,721	49,721
Other current assets	65,489	21,738	87,227
Total current assets	<u>3,589,631</u>	<u>953,557</u>	<u>4,543,188</u>
CAPITAL ASSETS			
Land	639,576	2,433,777	3,073,353
Construction in progress	143,584		143,584
Building and capital facilities	48,911,499	2,320,596	51,232,095
Furniture and equipment	1,328,704	168,602	1,497,306
Infrastrure		1,797,802	1,797,802
Less accumulated depreciation	(20,469,343)	(2,903,453)	(23,372,796)
TOTAL CAPITAL ASSETS, NET	<u>30,554,020</u>	<u>3,817,324</u>	<u>34,371,344</u>
TOTAL ASSETS	<u>34,143,651</u>	<u>4,770,881</u>	<u>38,914,532</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension liability	170,247		170,247
Deferred charge on refunding of debt	1,091,244		1,091,244
	<u>1,261,491</u>	-	<u>1,261,491</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 35,405,142</u>	<u>\$ 4,770,881</u>	<u>\$ 40,176,023</u>

See independent auditors' report and notes to financial statements.

THE CITY OF BESSEMER, ALABAMA
STATEMENT OF NET POSITION - CONTINUED
COMPONENT UNITS
SEPTEMBER 30, 2021

	<u>Governmental Utility Services Corp</u>	<u>Bessemer Aiport Authority</u>	<u>Total Component Units</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts and vouchers payable	\$ 167,920	\$ 246,820	\$ 414,740
Accrued expenses	715,980	15,190	731,170
Unearned revenue		28,680	28,680
Current maturities of bonds and notes payable	1,570,000	54,954	1,624,954
Total current liabilities	<u>2,453,900</u>	<u>345,644</u>	<u>2,799,544</u>
OTHER LIABILITIES			
Net pension obligations	207,058		207,058
Bonds and notes payable, less current portion	46,977,100	936,552	47,913,652
Total other liabilities	<u>47,184,158</u>	<u>936,552</u>	<u>48,120,710</u>
TOTAL LIABILITIES	<u>49,638,058</u>	<u>1,282,196</u>	<u>50,920,254</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension liability	73,755		73,755
NET POSITION			
Investment in capital assets, net of related debt	(17,993,080)	2,825,818	(15,167,262)
Restricted	2,461,527		2,461,527
Unrestricted (deficit)	1,224,882	662,867	1,887,749
Total Net Position	<u>(14,306,671)</u>	<u>3,488,685</u>	<u>(10,817,986)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 35,405,142</u>	<u>\$ 4,770,881</u>	<u>\$ 40,176,023</u>

See independent auditors' report and notes to financial statements.

**THE CITY OF BESSEMER, ALABAMA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Net (Expense) Revenues and Changes in Net Position
Government Utility Service Corporation	\$ 6,508,838	\$ 7,255,110	\$ -	\$ -	\$ 746,272
Bessemer Airport Authority	2,423,228	1,737,661		612,474	(73,093)
	<u>\$ 8,932,066</u>	<u>\$ 8,992,771</u>	<u>\$ -</u>	<u>\$ 612,474</u>	<u>673,179</u>
General Revenues					
					64,898
					60,000
					129
					-
					-
					<u>125,027</u>
					<u>798,206</u>
					(11,653,671)
					37,479
					<u>\$ (10,817,986)</u>

See independent auditors' report and notes to financial statements.

**THE CITY OF BESSEMER, ALABAMA
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
BUDGET TO ACTUAL
STATEMENT OF REVENUES, EXPENDITURES, AND ENUMBRANCES
FISCAL YEAR ENDED SEPTEMBER 30, 2021**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>		<u>Budget-Positive</u> <u>(Negative)</u>
FUNDS ON HAND	\$ 2,506,152	\$ 2,506,152		(2,506,152)
REVENUES:				
Taxes	49,519,723	49,519,723	53,691,586	4,171,863
License and permits	4,786,947	4,786,947	6,025,439	1,238,492
Grants and intergovernmental	-	-	1,178,550	1,178,550
Charges and fees for services	911,900	911,900	1,113,254	201,354
Franchise fees	250,000	250,000	265,587	15,587
Investment income	27,844	27,844	201	(27,643)
Other	-	-	471,051	471,051
Total Revenues	<u>58,002,566</u>	<u>58,002,566</u>	<u>62,745,668</u>	<u>4,743,102</u>
EXPENDITURES:				
Current operations:				
General Government	14,709,704	14,709,704	11,424,676	3,285,028
Law enforcement	14,999,588	14,999,588	13,162,813	1,836,775
Fire protection	11,754,479	11,754,479	11,669,408	85,071
Public improvement	13,138,856	13,138,856	11,708,526	1,430,330
Health, welfare, and public services	1,307,188	1,307,188	3,097,789	(1,790,601)
Recreation	3,268,751	3,268,751	2,975,493	293,258
Capital outlay	-	-	3,195,172	(3,195,172)
Debt Service:				
Principal payments	-	-	240,000	(240,000)
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>59,178,566</u>	<u>59,178,566</u>	<u>57,473,877</u>	<u>1,704,689</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,176,000)</u>	<u>(1,176,000)</u>	<u>5,271,791</u>	<u>6,447,791</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,176,000		1,512,373	1,512,373
Transfers out			(1,227,293)	(1,227,293)
Proceeds from short-term borrowings				-
Total other financing Sources (Uses)	<u>1,176,000</u>		<u>285,080</u>	<u>285,080</u>
Net Change in Fund Balances	<u>\$ -</u>		<u>\$ 5,556,871</u>	<u>\$ 5,556,871</u>

See independent auditors' report and notes to financial statements.

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bessemer, Alabama (the “City”), is a municipal corporation that was incorporated in 1888. The City operates under the Mayor-Council form of government as provided by Act No. 89-750 Regular Session of the Alabama Legislature and is comprised of a Mayor who is elected at large and a seven-member council that is elected by district.

The financial statements of the City have been presented in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the City’s accounting policies are described

below. Reporting Entity

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- (1) Appointment of a voting majority of the component unit’s board by the primary government and either:
 - a) the ability of the primary government to impose its will on the organization, or
 - b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- (2) Fiscal dependency on the primary government.

Blended Component Units – Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City’s or the component unit provides services entirely to the City. These component units’ funds are blended into those of the City’s by appropriate activity type to compose the primary government presentation.

Discretely Presented Component Units – Discretely presented component units are separate legal entities that meet the component unit criteria described above, but do not meet the criteria for blending.

Included in the primary government are the City of Bessemer Electric Service Department and the City of Bessemer Water Service Department (the “Utilities”). The management of the Utilities is selected by the Mayor. Separate financial statements for each of the Utilities are issued presenting the financial position, changes in financial position, and cash flows for each of the Utilities for the annual periods ending on their respective fiscal year-ends. The financial statements of the City include the fiscal year ended June 30, 2021, for the Electric Service Department and September 30, 2021, for the Water Service Department.

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Reporting Entity – Continued

The City includes the Bessemer Public Library (the “Library”) as a blended component unit. Although the Library possesses many characteristics of a legally separate government, all capital assets and related debt for the library are included in the City’s accounts. In addition, appropriations from the City and a 3.5 mill City ad valorem tax collected make up approximately 91 percent of the Library’s cash receipts. A board of five trustees governs the Library. The Bessemer City Council appoints the trustees for four-year terms. The terms should overlap so that at least one trustee is appointed or re-appointed each year. Complete financial statements as of September 30, 2021, for the Library may be obtained at the following administrative office:

Bessemer Public Library
400 19th Street North
Bessemer, Alabama 35020

The City’s discretely presented component units are presented in total in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. The City’s discretely presented component units consist of the following:

- Governmental Utility Services Corporation (GUSC) – the GUSC is a three-member board appointed by the City and is a public corporation under the provisions of the code of Alabama. The GUSC’s fiscal year ends on September 30.
- Bessemer Airport Authority (BAA) – the BAA is a four-member board appointed by the City and is a public corporation under the provisions of the code of Alabama. The BAA’s fiscal year ends on September 30.

Complete financial statements or other financial information as of September 30, 2021, for the discretely presented component units may be obtained at the following administrative offices:

Governmental Utility Services Corporation
Authority 1700 Third Avenue North
Bessemer, Alabama 35020

Bessemer Airport
900 Mitchell Field Rd SE
Bessemer, Alabama 35022

Related Organizations

The City is also responsible for appointing a voting majority of the boards of other organizations but the City’s financial accountability for these organizations does not extend beyond making the appointments. The City appointed a voting majority of the Industrial Development Board, the Public Building Authority, and the Bessemer Housing Authority. These organizations are related organizations that have not been included in the reporting entity.

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-Wide and Fund Financial Statements

The government-wide financial statements of the City consist of the statement of net position and the statement of activities for all of the non-fiduciary activities of the City (primary government) and its four component units. For the most part, the effect of inter-fund activity has been removed from these statements. The statements report separately the governmental activities and business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues, whereas business-type activities rely to a significant extent on fees and charges for support. The City as the primary government is reported separately from its four legally separate component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Amounts reported as program revenues include 1) charges to customers for services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes and other items not properly included among program revenues.

Included in this report are separate financial statements for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, sales taxes, use taxes, occupational taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Continued

Fund and Accounting Entity

A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained which is consistent with legal and managerial requirements.

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund is treated as a major fund and accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for the payment of interest, principal, and related costs on the long-term general and limited obligation debt.

The City reports the following major proprietary funds:

The Bessemer Electric Service accounts for the operations of the Bessemer Electric Service Department.

The Bessemer Water Service accounts for the operations of the Bessemer Water Service Department.

The Bessemer Civic Center accounts for the operations of the Bessemer Civic Center.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City elected to apply Financial Accounting Standards Board (FASB) pronouncements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Utilities and the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund and Accounting Entity – Continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

For purposes of the Statement of Cash Flows for all proprietary funds, the City considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council or the official or other body has provided otherwise in its commitment or assignment actions.

Reclassifications

Certain prior year's data presented in the financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on total assets, change in net position, or cash flows.

Pensions

The Employees' Retirement System of Alabama (the Plan or ERS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with the requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deposits and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. State statutes authorize the City to invest in U.S. government obligations, U.S. government agency obligations, U.S. corporate stock, U.S. debt, State of Alabama obligations, county obligations, and other municipal obligations.

Investments for the City, as well as for its component units, are reported at fair value, market value, or best available estimates. Short-term investments are reported at cost, which approximates market value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. All investments have established markets to determine their fair value.

Taxes Receivable

All property taxes levied by the State, County, and City in Jefferson County, Alabama, are assessed by the Jefferson County Tax Assessor and collected by their tax collectors. The property tax calendars specify the following actions and dates:

Levy (assessment date)	September 30
Lien Date	October 1
Due Date	October 1
Collection Dates	October to December 31
Delinquent Date	January 1

Tax collections are remitted to the City on a monthly basis. All amounts remitted to the City within the bill paying period are included in revenue. Taxes collected within the fiscal year but remitted to the City after year-end are accrued in both the government-wide and fund financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Short-Term Inter-Fund Receivables/Payables

During the course of normal operations, the City has numerous transactions between funds to provide services, construct assets, service debt, etc. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due from other funds” or “due to other funds” (i.e., the current portion of inter-fund loans) or “advances from other funds” or “advances to other funds” (i.e., the noncurrent portion of inter-fund loans). These amounts have been eliminated in the government-wide financial statements except for those amounts outstanding at year-end between the general fund and the proprietary funds.

Inventory

Inventory is valued using the first-in, first-out method. Inventory consists of expendable supplies held in the General Fund for consumption. The cost is recorded as an expenditure at the time individual inventory items are used (consumption method). Materials and supplies inventories in the business-type activities are stated at the lower of average cost or market.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets other than infrastructure are defined by the City as the items with an estimated useful life of three years or more and an individual cost in excess of \$5,000. Capital assets are recorded at cost where historical cost is available or at estimated historical cost if actual cost was not available. Donated capital assets are recorded at their estimated fair value at the time of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Upon sale or retirement of property, buildings, furniture, and other equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and Capital Facilities	50
Furniture and Other Equipment	3 – 20
Infrastructure	25 – 50

The City recognizes the intrinsic value of historical works and collections. As such, the City has adopted a policy that these items will not be capitalized and subject to depreciation. Should the sale of any of the items occur, the City is committed to using the funds generated from the sale to purchase similar other collectibles.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Compensated Absences

Compensated absences have been accounted for in accordance with GASB Statement No. 16, Accounting for Compensated Absences.

Vacation leave is earned on graduated rates based on the employee's length of service (one day per month of service, initially) and up to forty days of unused leave may be carried over to the following year. After one year of service, an employee is eligible to receive up to 40 days of accrued vacation leave upon separation of service if they leave the City in good standing. Vacation pay is accrued when incurred in the government-wide financial statements and as of September 30, 2021, totaled \$2,089,524.

Sick leave is earned at a rate of one day per month of service. After five years of service, an employee is eligible to receive up to 75 days of accrued sick leave (100% of the first 60 days of accrued sick leave and 50% of the next 30 days of accrued sick leave) upon separation of service if they leave the City in good standing. Sick leave is accrued when incurred in the government-wide financial statements for those employees that meet the longevity requirements and is limited to the maximum days eligible for payment upon separation of service. Sick leave is accrued when incurred in the government-wide financial statements and as of September 30, 2021, totaled \$3,111,978.

It is necessary for various departments of the City to operate on a 24-hour basis regardless of weather or holidays. It has been the City's policy to allow those employees that work in those departments to accrue hours of holiday leave time and miscellaneous overtime leave with no cap. At various times, the City has approved lump sum payments of this accrued compensation, but this is on a discretionary basis. Upon separation of service from the City, employees are entitled to receive payment for any accrued compensation related to holiday leave or miscellaneous overtime leave. Holiday leave time and miscellaneous overtime leave is accrued when incurred in the government-wide financial statements and as of September 30, 2021, totaled \$711,838.

The recordkeeping for compensated absences is handled by each department and the value of compensated absences is based on the reported hours accrued at the current hourly rate for each employee. It is reasonably possible that the actual amount paid for compensated absences will be different than the estimated value of accrued compensated absences.

Long-Term Obligations

In the government-wide financial statements and for the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium and discount. In accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, debt issuance costs are reported as general government expenditures.

In the fund financial statements, the bond discounts and issuance costs have been recognized in the current period. The face amount of the new debt issued along with related premiums and discounts are reported as other financing sources and uses. In accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, debt issuance costs are reported as general government expenditures.

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Equity Classification

In the government-wide statements, equity is classified as net position and displayed in three components: (a) Invested in capital assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets; (b) Restricted net position – consists of net position with constraints placed on its use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional or enabling legislation; (c) Unrestricted net position – consists of all other net position that does not meet the definition of “restricted” or “invested in capital assets.”

The City follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the City itself by ordinance or resolution enacted by the City Council. To be reported as committed, amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.

Assigned fund balance – amounts the City intends to use for a specific purpose that are neither restricted nor committed. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned fund balance – amounts that are available for any purpose. The General Fund is the only fund that will report a positive unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the City to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the City that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Budgetary Comparisons

Under GASBS No. 34, budgetary comparison information is required to be presented for the General Fund and each major special revenue fund with a legally adopted budget. The City adopted a general fund budget. Budget comparison information for the general fund is included in the City's basic financial statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The City adopts a General Fund budget annually. Other funds are budgeted as needed.

1. During the month of July:
 - a. Department heads submit budget requests, both operating and capital to the Mayor.
 - b. Boards and authorities make written applications to the Mayor for appropriations.
 - c. Outside agencies make written requests for appropriations and are also recognized at an open Council meeting to publicly make their petition.
 - d. Public meetings are called concerning budgeting for restricted funds such as Community Development.
2. The Finance Director/Treasurer prepares an estimated revenue budget and an estimated expenditures budget based on prior year's operations, budget year requests, and general business outlook.
3. The Mayor, Council, and Finance Director/Treasurer meet with department heads, representatives of Boards and Authorities, and any interest group that is concerned with such budget meetings. A General Fund Budget is completed that meets requirements of State Law, in that budget expenditures cannot exceed available revenues.
4. Prior to the first Council meeting in October, the approved budget is presented in "Ordinance" form at a regular Council meeting. This budget is read and explained in detail and is open for discussion. Upon its adoption, the budget becomes law and cannot be changed by an ordinance amending such budget.
5. Legally adopted annual budgets are not prepared on Special Revenue Funds; consequently, there are no statements of revenue and expenditures, budget and actual, for these funds. However, budgets for them are adopted on an individual project basis. Budgets are not prepared for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation indenture provisions.

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY– CONTINUED

Budgets and Budgetary Accounting

6. The General Fund operating budget is controlled at the level of authority of each departmental function. Line item adjustments may be made within each departmental function, but expenditures may not exceed budget in any area of responsibility without approval of the Mayor and this only with an anticipated increase in revenues or through a reduction in other costs. All appropriations approved for the current year's operating budget lapse at year-end.

The budget is integrated into the accounting system. The budgetary data, as presented in the financial statements for all funds with annual budgets, compares the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

NOTE 3 – DEPOSITS IN FINANCIAL INSTITUTIONS

Demand Deposits

The City's demand deposits, certificates of deposit, and money market investments at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A-Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. As of September 30, 2021, the carrying amount of the City's deposits was \$41,121,215 and the bank balance was \$41,121,215. As noted above, the bank balance is covered by Federal Depository Insurance or the SAFE Program.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. According to the City's Trust Indenture and the SAFE Program, custodial credit risk will be minimized by using the following techniques; limiting investments to the safest type of securities, prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City will do business; and diversifying the investment portfolio so that potential losses on individual securities will be minimized. As of September 30, 2021, the City's deposits were either fully insured or properly collateralized, were held in the City's name, and have no custodial credit risk.

Investments

The City maintains trustee accounts required by the bond indentures which hold cash and are invested primarily in U.S. government obligations, U.S. agencies, and instrumentalities.

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 3 – DEPOSITS IN FINANCIAL INSTITUTIONS– CONTINUED

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City’s investment strategy, limits investing funds primarily in short–and intermediate-term liquid securities of high credit quality to ensure adequate liquidity and minimize the impact of changes in interest rates. Portfolios, when applicable, are structured so that securities mature concurrent with cash needs to meet anticipated demands.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City’s investment policy diversifies the portfolios by limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities). Investments in a single issuer shall not exceed 5 percent of the City’s portfolio for any of the following types in total: commercial paper, corporate obligations or notes, bankers’ acceptances, and negotiable CD’s.

Investments

Governmental Activities

Federated U.S. Treasury Reserves	AAAm, AAA	1-90 Days	<u>\$ 1,442,946</u>
Total			<u>\$ 1,442,946</u>

Business-Type Activities

Federated U.S. Treasury Reserves	AA+, AAA	Various	<u>\$ 12,602,673</u>
Total			<u>\$ 12,602,673</u>

Fair Value Measurement

Deposits and investments are reported at fair value which is the amount at which financial instruments could be exchanged in a current transaction between willing parties. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the City’s investments are level 1 inputs.

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 3 – DEPOSITS IN FINANCIAL INSTITUTIONS– CONTINUED

Deposits and investments have been reported as either cash and cash equivalents, certificates of deposit or as investments as follows in the financial statements:

Fair Value Measurement

Reported in Governmental Funds	\$ 41,121,215
Reported in Proprietary Funds	<u>21,671,319</u>
Total	<u>\$ 62,792,534</u>
Disclosed in Deposits	\$ 48,746,915
Disclosed in Investments	<u>14,045,619</u>
	<u>\$ 62,792,534</u>

NOTE 4 – ACCOUNTS RECEIVABLE

Governmental Activities

Accounts receivable consists of various taxes and grants receivable. All amounts are considered collectable by the City and as such no allowance for doubtful accounts has been recorded.

Business-type Activities

Bessemer Electric Service bills and collects from customers for services provided by the Electric Service and Bessemer Water Service. At June 30, 2021, the Electric Service customer receivables totaled approximately \$17,292,677 and the allowance for doubtful accounts was \$5,595,226. At September 30, 2021, the Water Service customer receivables totaled approximately \$5,839,471 and the allowance for doubtful accounts was \$-0-.

CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2021

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2021, was as follows:

Primary Government

	9/30/2020 Beginning Balance	Increases	Decreases	9/30/2021 Ending Balance
Government Activities				
Capital Assets not being depreciated				
Land	\$ 1,325,177	\$ -	\$ -	\$ 1,325,177
Property held for resale	256,552			256,552
Construction in process	2,200,805	650,195	13,604	2,837,396
Total Capital Assets, not being depreciated	<u>3,782,534</u>	<u>650,195</u>	<u>13,604</u>	<u>4,419,125</u>
Capital Assets				
Building and capital facilities	36,309,862	172,850		36,482,712
Office, non-office, and other equipment	22,402,120	2,781,562	1,228,048	23,955,634
Infrastructure	40,519,445	85,874		40,605,319
Total Capital Assets, being depreciated	<u>99,231,427</u>	<u>3,040,286</u>	<u>1,228,048</u>	<u>101,043,665</u>
Less accumulated depreciation				
Building and capital facilities	5,723,089	723,696		6,446,785
Office, non-office, and other equipment	15,009,802	1,139,982	1,104,245	15,045,539
Infrastructure	14,979,223	1,304,495	-	16,283,718
Total accumulated depreciation	<u>35,712,114</u>	<u>3,168,173</u>	<u>1,104,245</u>	<u>37,776,042</u>
Total Capital Assets being depreciated, net	<u>63,519,313</u>	<u>(127,887)</u>	<u>123,803</u>	<u>63,267,623</u>
Governmental activity capital assets, net	<u>\$ 67,301,847</u>	<u>\$ 522,308</u>	<u>\$ 137,407</u>	<u>\$ 67,686,748</u>

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 5 CAPITAL ASSETS -CONTINUED

Depreciation expense for governmental activities was charged to governmental functions/programs of the City as follows:

GOVERNMENTAL

<u>ACTIVITIES</u>	<u>AMOUNT</u>
General government	\$ 1,654,413
Law enforcement	530,383
Fire department	217,186
Public works	446,087
Recreation	320,104
Total Depreciation Expense for Governmental Activities	<u>\$ 3,168,173</u>

During the fiscal year ended September 30, 2014, the City recognized impairment losses for damage caused by a tornado. In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, insurance recoveries during the fiscal year ended September 30, 2014, were used to offset the amount of loss that was recognized.

CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2021

NOTE 5 – CAPITAL ASSETS – CONTINUED

	9/30/2020			9/30/2021
	Beginning			Ending
	Balance	Increases	Decreases	Balance
<i>Business - Type Activities</i>				
Capital Assets not being depreciated				
Land	\$ 476,854	\$ -	\$ -	\$ 476,854
Construction in process	3,588,450	4,207,556		7,796,006
Total Capital Assets, not being depreciated	<u>4,065,304</u>	<u>4,207,556</u>	<u>-</u>	<u>8,272,860</u>
Capital Assets				
Building and capital facilities	5,077,717	19,297	-	5,097,014
Plant and Equipment	74,457,901	1,374,106		75,832,007
Office, non-office, and other equipment	8,665,020	190,433	-	8,855,453
Total Capital Assets, being depreciated	<u>88,200,638</u>	<u>1,583,836</u>	<u>-</u>	<u>89,784,474</u>
Less accumulated depreciation				
Building and capital facilities	4,728,954	23,591	-	4,752,545
Plant and Equipment	35,604,044	1,376,599		36,980,643
Office, non-office, and other equipment	10,266,217	556,015	-	10,822,232
Total accumulated depreciation	<u>50,599,215</u>	<u>1,956,205</u>	<u>-</u>	<u>52,555,420</u>
Total Capital Assets being depreciated, net	<u>37,601,423</u>	<u>(372,369)</u>	<u>-</u>	<u>37,229,054</u>
Business -Type activities capital assets, net	<u>\$ 41,666,727</u>	<u>\$ 3,835,187</u>	<u>\$ -</u>	<u>\$ 45,501,914</u>

Depreciation expense for Business-Type activities was charged to Business- Type functions/programs of the City as follows:

BUSINESS - TPYE

ACTIVITIES	AMOUNT
Electric	\$ 1,003,363
Water	903,405
Civic Center	5,207
Total Depreciation Expense for Business - Type Activities	<u>\$ 1,911,975</u>

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 6 – INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

The inter-fund receivables/payables are recorded to cover the temporary cash shortages in the respective funds. The amounts due to/from Bessemer Electric Service and Bessemer Water Service are not eliminated in the financial statements due to the difference in the fiscal year-ends.

The composition of inter-fund balances as of September 30, 2021, is as follows:

Due to/from Other Funds:

	<u>Due From</u>	<u>To Due</u>		
General Fund	\$ 2,683,681	\$ 728,676	(1)	(2)
Nonmajor Funds	733,426	2,688,431	(1)	(2)
Proprietary Funds	<u>541,723</u>	<u>541,723</u>	(3)	
	<u>\$ 3,958,830</u>	<u>\$ 3,958,830</u>		

(1) Short-term balances due from other Funds to related to temporary cash shortages

(2) Short-term balances due to other Funds to related to temporary cash shortages

(3) Short-term balances related to Proprietary Funds for cost reimbursements or other payments due

During the course of normal operations, the City incurs numerous transactions between funds to provide services, construct assets, service debt, etc. These transactions are generally reported as inter-fund transfers. No expectation of repayment between funds is expected related to these inter-fund transfers. The composition of inter-fund transfers for the year ended September 30, 2021, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>	
General Fund:			
Operating transfer	\$ 1,512,373	\$ 1,227,293	(2)
Major Funds:			
Debt Service Fund	2,857,382		(1)
Capital Improvement			(2)
Nonmajor Funds	813,870	2,491,105	(2)
Proprietary Funds	<u> </u>	<u>1,465,227</u>	(2)
	<u>\$ 5,183,625</u>	<u>\$ 5,183,625</u>	

(1) Transfer to cover debt service requirements

(2) Transfer to subsidize fund operations

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 7 – CAPITAL LEASES

Governmental Activities:

The City has entered into a lease agreement as a lessee for financing the acquisition of three fire engines and two ambulances. The lease agreement qualifies as a capital lease for accounting purposes and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date for amounts that meet the City’s capitalization threshold.

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2021, are as follows:

Year Ending September 30	Governmental Activities		Total
	Principal	Interest	
2022	\$ 289,170	\$ 41,198	\$ 330,368
2023	289,170	35,693	324,863
2024	289,170	30,066	319,236
2025	289,170	24,314	313,484
2026	289,170	18,434	307,604
2027-2028	<u>409,932</u>	<u>12,424</u>	<u>422,356</u>
Total Minimum Lease Payments	\$ 1,855,782	\$ 162,129	2,017,911
Less: Amount Representing Interest			<u>162,129</u>
Present Value of Minimum Lease Payments			<u>\$ 1,855,782</u>

Assets acquired through capital leases are as follows:

	Governmental Activities
Fire Trucks and Ambulances	\$ 2,095,782
Less Accumulated depreciation	<u>(26,197)</u>
Net Total	<u>\$ 2,069,585</u>

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

Business-Type Activities:

The Electric Service Department leases equipment under a noncancelable lease expiring October 2, 2023, which meets the criteria for capitalization. The capital lease is financed from general fund resources.

The estimated value of the leased machinery and equipment at the inception of the lease was \$276,334. The related present value of the remaining obligations under the capital lease which totaled \$140,542 at June 30, 2021, is included in the capital assets and long-term liabilities, accordingly.

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2021, are as follows:

Year Ending				
June 30		Principal	Interest	Total
	2021	46,826	3,618	50,444
	2022	48,601	1,843	50,444
Total Minimum Lease Payments		\$ 95,427	\$ 5,461	100,888
Less: Amount Representing Interest				(5,461)
Present Value of Minimum Lease Payments				<u>\$ 95,427</u>

Assets acquired through capital leases are as follows:

Utility Truck	\$ 276,334
Less Accumulated depreciation	<u>(221,068)</u>
Net Total	<u>\$ 55,266</u>

CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2021

NOTE 8 – OPERATING LEASES

Governmental Activities:

The City leases copier equipment and golf carts under operating leases expiring at various times ranging from December 2021, through June 2022. Upon expiration, the leases may be renewed monthly.

The future minimum rental payments required by operating leases that have initial lease terms in excess of one year as of September 30, 2021, are as follows:

Year Ending	<u>Governmental Activities</u>
September 30	
2022	<u>31,000</u>
Total	<u><u>\$ 31,000</u></u>

Rental expenditures for the year ended September 30, 2021, totaled \$78,379.

NOTE 9 – CURRENT AND ADVANCED REFUNDINGS

Bonds are refunded to retire all or a portion of an outstanding bond issue. Most typically, refundings are done to refinance at a lower interest rate to reduce overall debt service. Certain issues of bonds may be refunded prior to the call date, known as an advance refunding.

Future principal and interest payments on refunded bonds have been provided through advance refunding bond issues whereby refunding bonds are issued and the net proceeds, plus any additional resources that may be required, are used to purchase securities issued and guaranteed by the United States government. The City then deposits these securities in an irrevocable trust under an escrow agreement which states that all proceeds from the trust will be used to fund the principal and interest payments of the previously issued debt being refunded. The trust deposits have been computed so that the securities in the trust, along with future cash flows generated by the securities, will be sufficient to service the previously issued bonds.

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 9 – CURRENT AND ADVANCED REFUNDINGS– CONTINUED:

Governmental Activities

Limited Obligation Library Warrants Series 2020-A were issued on October 15, 2020, for \$2,960,000 to refund Limited General Obligation Warrants Series 2012 principal amount of \$2,860,000. The difference between the cash flows required to service the old debt and that required to service the new debt and complete the refunding was \$185,637. The economic gain on refunding was \$176,652.

During the year ended September 30, 2014, the City issued bonds to refinance the majority of its outstanding bond issues through current and advanced refundings. Below is a summary of the City's refunding activity:

General Obligation Warrants Series 2013-A were issued on November 6, 2013, for \$5,960,000 to refund the General Obligation Warrants Series 1999 principal amount of \$6,225,000. The difference between the cash flows required to service the old debt and that required to service the new debt and complete the refunding was \$1,147,009. The economic gain on refunding was \$980,449.

Limited Obligation Gasoline Tax Warrants Series 2013-B were issued on December 19, 2013, for \$2,225,000 to refund the Limited Obligation Gasoline Tax Warrants Series 2002 principal amount of \$2,335,000. The difference between the cash flows required to service the old debt and that required to service the new debt and complete the refunding was \$629,548. The economic gain on refunding was \$341,000.

General Obligation Warrants Academy Drive and TIF (Tax Increment Financing) District Series 2013-C were issued on December 30, 2013, for \$13,795,000 to refund the Tax Increment Financing District 1 Revenue Warrants Series 2004 principal amount of \$2,705,000 and the District's Limited Obligation Revenue Bonds Series 2003 principal amount of \$11,560,000. The difference between the cash flows required to service the old debt and that required to service the new debt and complete the refunding was \$3,339,079. The economic gain on refunding was \$2,418,595.

General Obligation Warrants Series 2014-D were issued on February 25, 2014, for \$20,825,000. The City used the net proceeds to purchase U.S. government securities that were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the Limited Obligation Warrants Series 2007. As a result, \$17,180,000 of the Series 2007 Warrants are considered defeased and the City has removed the liability from its accounts. The bonds were fully redeemed on February 1, 2017. The difference between the cash flows required to service the old debt and that required to service the new debt and complete the refunding was \$1,987,307. The economic gain on refunding was \$1,364,416.

General Obligation Warrants Series 2014-E were issued on July 24, 2014, for \$7,070,000. The City used the net proceeds to purchase U.S. government securities that were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the General Obligation Warrants Series 2005. As a result, \$6,520,000 of the Series 2005 Warrants are considered defeased and the City has removed the liability from its accounts. The bonds were fully redeemed at 101% on February 1, 2015. The difference between the cash flows required to service the old debt and that required to service the new debt and complete the refunding was \$866,035. The economic gain on refunding was \$618,041.

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 9 – CURRENT AND ADVANCED REFUNDINGS – CONTINUED

Governmental Activities – Continued

Business-Type Activities

Electric Revenue Refunding Warrants Series 2011 were issued on September 1, 2011, for \$11,985,000. The Utilities used the net proceeds to purchase U.S. government securities that were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the Series 1998, 1999, and 2003 Electric Revenue warrants. As a result, \$820,000 of the Series 1998, \$2,830,000 of Series 1999, and \$6,860,000 of Series 2003 Electric Revenue Warrants are considered defeased and the Utilities has removed the liability from its accounts. The bonds were fully redeemed on December 1, 2011. The difference between the cash flows required to service the old debt and that required to service the new debt and complete the refunding was \$17,233. The economic gain on refunding was \$1,964,440.

Water Revenue Warrants Series 2017 were issued on December 28, 2017, for \$27,455,000. The Series 2017 Warrants were issued to: a) refund all the outstanding Series 2008 Water Revenue Warrants, b) finance the cost of improvements, and c) pay the cost of issuing the Series 2017 Warrants. As a result, \$21,000,000 of the Series 2008 Warrants are considered defeased and the Water Service has removed the liability from its accounts. The Series 2008 Water Revenue Warrants were fully redeemed on January 22, 2019. The difference between the cash flows required to service the old debt and that required to service the new debt and complete the refunding was \$578,659. The economic loss on refunding was \$2,784,253.

Deferred and amortized amounts on the City's bond refundings (which are reported as deferred inflows or deferred outflows of resources) at September 30, 2021, are summarized below. Deferred amounts on refundings are amortized as a component of interest expense and the deferred outflow on the acquisition is amortized as a special item.

CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2021

NOTE 9 – CURRENT AND ADVANCED REFUNDINGS – CONTINUED

Business-Type Activities– Continued

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, was implemented during the year ended September 30, 2014, due to the City's acquisition of the District and the CDA. GASBS No. 69 establishes accounting and financial reporting standards related to disposals of government operations and government combinations referred to as mergers, acquisitions, and transfers of operations. For government acquisitions in which there is an exchange of significant consideration, GASBS No. 69 generally requires assets acquired and liabilities assumed to be measured based on their acquisition values. The City was generally obligated on the District's and the CDA's outstanding liabilities. The objective of the acquisition was to reduce the overall debt service requirements of the City by refunding the District's Series 2003 Bonds and satisfying the District's and the CDA's liabilities to Exit 108, LLC. The acquisition was finalized on December 30, 2013, with no contingent consideration arrangements. The total consideration provided was \$11,455,805 for the District and \$436,000 for the CDA and no net position was acquired resulting in \$11,891,805 in excess consideration provided by the City over the net position acquired. Amortization for the year ended September 30, 2021, was \$694,605 leaving an unamortized deferred outflow of \$3,882,334.

Primary Government:

Governmental Activities:

<u>Type and Purpose</u>	<u>9/30/20</u>	<u>Addition</u>	<u>Amortization</u>	<u>9/30/2021</u>
Deferred Net Outflow Acquisition				
Cost of the TIF District and CDA	\$ 3,882,334	\$ -	\$ 694,605	\$ 3,187,729
Deferred Loss Outflow on				
Refunding of Debt	\$ 1,475,144	\$ -	\$ 212,261	\$ 1,262,883

Business - Type Activities:

<u>Type and Purpose</u>	<u>9/30/20</u>	<u>Addition</u>	<u>Amortization</u>	<u>9/30/2021</u>
Deferred Loss Outflow on Refunding				
of Debt	\$ 1,191,377	\$ -	\$ 64,648	\$ 1,126,729

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 10 – GENERAL AND LIMITED OBLIGATION WARRANTS PAYABLE

The City issues general obligation warrants to provide funds for the acquisition and/or construction of capital assets. General obligation warrants are direct obligations and the City pledges its full faith and credit. Under state statute, general obligation warrants can be issued without an election and must be issued for a period of maturity of not longer than thirty years. Limited obligation warrants and revenue warrants are obligations of the City that are paid from specified revenues only. These revenues include incremental ad valorem taxes, specific millage ad valorem taxes, sales and use tax revenues, occupational tax revenues, and developer guarantees.

General obligation warrants, limited obligation warrants, and revenue warrants currently outstanding are as follows:

Primary Government

Governmental Activities:

Type and Purpose – Direct Placements	2021
Limited obligation Library Warrants Series 2020A Due in varying amounts beginning February 1, 2021, until February 1, 2030 with interest payable semi-annual on February 1 and August 1 at a rate of 1.13%. Payable solely from and secured by the pledge of 3.5 mills on each \$1.00 of taxable property of the City.	\$ 2,690,000
General Obligation Warrants Series 2013-A Due in varying amounts beginning February 1, 2014, until February 1, 2043 with interest payable semi-annual on February 1 and August 1 at rates varying from 3.00% to 4.75%. Payable solely from and secured by the pledge of 8.6 mills on each \$1.00 of taxable property of the City.	19,995,000
General Obligation Warrants Series 2013-B Due in varying amounts beginning December 1, 2014, until December 1, 2023 with interest payable semi-annual on June 1 and December 1 at rates varying from 2.00% to 3.50%. Payable solely from and secured by the pledge of the City's share of the net proceeds of the supplemental excise tax levied by the State of Alabama.	730,000

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 10 – GENERAL AND LIMITED OBLIGATION WARRANTS PAYABLE – CONTINUED

Primary Government

Governmental Activities:

General Obligation Warrants Series 2013-C

Due in varying amounts beginning March 1, 2014, until March 1, 2035 with interest payable semi-annual on March 1 and September 1 at rates varying from 3.00% to 4.75%. Payable solely from and secured by the pledge of the City's share of the incremental ad valorem tax increase within the tax increment financing district and pledge of general sales, use, and occupational tax collected by the City from retail establishments conducting businesses in Exit 108 District.

9,005,000

General Obligation Warrants Series 2014-D

Due in varying amounts beginning February 1, 2015, until February 1, 2037 with interest payable semi-annual on February 1 and August 1 at rates varying from 2.00% to 4.25%. Payable solely from and secured by the pledge of general sales and use tax collected by the City from retail establishments conducting businesses in Exit 108 District.

15,995,000

General Obligation Warrants Series 2014-E

Due in varying amounts beginning February 1, 2016, until February 1, 2035 with interest payable semi-annual on February 1 and August 1 at rates varying from 2.625% to 3.75%. Payable solely from and secured by the pledge of 8.6 mills on each \$1.00 of taxable property of the City.

6,810,000

Total Warrants Payable- Governmental Activities \$ 55,225,000

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 10 – GENERAL AND LIMITED OBLIGATION WARRANTS PAYABLE – CONTINUED

Primary Government

Activity during 2021 related to long-term debt principal obligations is as follows:

	Balance at September 30, 2020	Additions	Reductions	Balance at September 30, 2021	Due Within One Year
Governmental Activities Warrants:					
Series 2012	\$ 2,860,000	\$ -	\$ 2,860,000	\$ -	\$ -
Series 2020-A		2,960,000	270,000	2,690,000	280,000
Series 2013-A	20,720,000	-	725,000	19,995,000	745,000
Series 2013-B	960,000	-	230,000	730,000	235,000
Series 2013-C	9,700,000	-	695,000	9,005,000	710,000
Series 2014-D	16,740,000	-	765,000	15,995,000	780,000
Series 2014-E	6,855,000	-	45,000	6,810,000	50,000
Less unamortized amounts:					
For warrant premium	12,151		7,298	4,853	
For warrant discount	(375,049)		(44,941)	(330,108)	
	<u>57,472,102</u>	<u>2,960,000</u>	<u>5,552,357</u>	<u>54,899,745</u>	<u>2,800,000</u>
Capital Lease					
PNC Equipment Finance, due June 9, 2028	-	2,095,782	240,000	1,855,782	289,170
	-	2,095,782	240,000	1,855,782	289,170
Accumulated					
Compensated Absences	<u>7,228,976</u>		<u>863,265</u>	<u>6,365,711</u>	<u>1,018,514</u>
	<u>7,228,976</u>	-	<u>863,265</u>	<u>6,365,711</u>	<u>1,018,514</u>
Total Long-Term Debt	<u>\$ 64,701,078</u>	<u>\$ 5,055,782</u>	<u>\$ 6,655,622</u>	<u>\$ 63,121,238</u>	<u>\$ 4,107,684</u>

CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2021

NOTE 10 – GENERAL AND LIMITED OBLIGATION WARRANTS PAYABLE – CONTINUED

Primary Government

Governmental Activities:

Debt service requirements on warrants payable at September 30, 2021 were as follows:

Year Ending September 30	Governmental Activities		Total
	Principal	Interest	Principal
2022	\$ 3,055,000	2,184,885	\$ 5,239,885
2023	3,145,000	2,097,419	5,242,419
2024	2,975,000	1,996,676	4,971,676
2025	2,785,000	1,908,870	4,693,870
2026	2,875,000	1,818,017	4,693,017
2027-2031	16,025,000	4,960,269	20,985,269
2032-2036	10,028,000	2,290,187	12,318,187
2037-2042	12,467,000	2,069,047	14,536,047
2043	1,870,000	44,413	1,914,413
	<u>\$ 55,225,000</u>	<u>\$ 19,369,783</u>	<u>\$ 74,594,783</u>

Business-Type Activities:

Direct Placements

Water Revenue Warrants Series 2017

Due in varying amounts beginning January 1, 2019, until January 1, 2047 with interest payable semi-annual on January 1 and July 1 at rates varying from 3.00% to 5.00%. Payable solely from and secured by of water utility service revenues.

2021

\$ 25,955,000

Electric Revenue Warrants Series 2011

Due in varying amounts beginning December 1, 2014, until December 1, 2023 with interest payable semi-annual on June 1 and December 1 at rates varying from 2.00% to 4.25%. Payable solely from and secured by of electric utility service revenues.

7,800,000

Total Warrants Payable- Business - Type Activities \$ 33,755,000

CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2021

NOTE 10 – GENERAL AND LIMITED OBLIGATION WARRANTS PAYABLE – CONTINUED

Business-Type Activities:

Bessemer Water Service

Activity during 2021 related to long-term debt principal obligations is as follows:

	<u>Balance at</u> <u>September 30,</u> <u>2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>September 30,</u> <u>2021</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Water Revenue Warrants					
Series 2017	\$ 26,475,000	\$ -	\$ 520,000	\$ 25,955,000	\$ 540,000
Premium on Series 2017	1,760,533		64,668	1,695,865	
	<u>28,235,533</u>	<u>-</u>	<u>584,668</u>	<u>27,650,865</u>	<u>540,000</u>
Compensated Absences	<u>976,338</u>		<u>31,216</u>	<u>945,122</u>	<u>151,220</u>
	<u>\$ 29,211,871</u>	<u>\$ -</u>	<u>\$ 615,884</u>	<u>\$ 28,595,987</u>	<u>\$ 691,220</u>

Debt service requirements on bonds payable at September 30, 2021 were as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 540,000	\$ 1,117,406	\$ 1,657,406
2023	565,000	1,092,481	1,657,481
2024	595,000	1,063,481	1,658,481
2025	625,000	1,032,981	1,657,981
2026	655,000	1,000,981	1,655,981
2027-2031	3,830,000	4,463,780	8,293,780
2032-2036	4,810,000	3,485,904	8,295,904
2037-2041	5,725,000	2,571,519	8,296,519
2042-2046	6,990,000	1,303,225	8,293,225
2047-2048	1,620,000	40,500	1,660,500
	<u>\$ 25,955,000</u>	<u>\$ 17,172,258</u>	<u>\$ 43,127,258</u>

CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2021

NOTE 10 – GENERAL AND LIMITED OBLIGATION WARRANTS PAYABLE – CONTINUED

Business-Type Activities – Continued:

Bessemer Electric Service

Activity during 2021 related to long-term debt principal obligations is as follows:

	<u>Balance at June 30, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2021</u>	<u>Due Within One Year</u>
Electric Revenue Warrants					
Series 2011	\$ 8,265,000	\$ -	\$ 465,000	\$ 7,800,000	\$ 480,000
Less unamortized amounts:					
For warrant discount	(205,816)		15,315	(190,501)	
Deferred outflow on refunding	(384,748)		27,984	(356,764)	
	<u>7,674,436</u>	<u>-</u>	<u>508,299</u>	<u>7,252,735</u>	<u>480,000</u>
Capital Lease					
Kansas State Bank due January 15, 2018	<u>140,542</u>	<u>-</u>	<u>45,115</u>	<u>95,427</u>	<u>46,826</u>
	<u>140,542</u>	<u>-</u>	<u>45,115</u>	<u>95,427</u>	<u>46,826</u>
Accumulated Compensated Absences					
	<u>606,492</u>	<u>95,755</u>		<u>702,247</u>	<u>112,360</u>
	<u>606,492</u>	<u>95,755</u>	<u>-</u>	<u>702,247</u>	<u>112,360</u>
Total Long-Term Debt	<u>\$ 8,421,470</u>	<u>\$ 95,755</u>	<u>\$ 553,414</u>	<u>\$ 8,050,409</u>	<u>\$ 639,186</u>

CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2021

NOTE 10 – GENERAL AND LIMITED OBLIGATION WARRANTS PAYABLE – CONTINUED

Business-Type Activities – Continued:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 480,000	\$ 303,495	\$ 783,495
2022	495,000	288,615	783,615
2023	505,000	272,573	777,573
2024	525,000	254,853	779,853
2025	545,000	235,953	780,953
2026-2030	3,075,000	847,335	3,922,335
2031-2033	<u>2,175,000</u>	<u>187,425</u>	<u>2,362,425</u>
	<u>\$ 7,800,000</u>	<u>\$ 2,390,249</u>	<u>\$ 10,190,249</u>

Noncompliance and Cure of Continuing Disclosure Undertaking

In connection with its debt obligations, the City undertook to provide annual filings of certain financial information and operating data of the City to the Municipal Securities Rulemaking Board pursuant to the requirements of Section (b)(5) of Rule 15c-12 (the “Rule”), as amended, adopted by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended. The filings are due 180 days after the close of the City’s fiscal year-end. The City did not timely file such annual financial information and operating data for the current year-end. The City has filed the appropriate notices and will file the required annual filings with the Municipal Securities Rulemaking Board via its Electronic Municipal Market Access (EMMA) system upon release of the City’s financial statements.

NOTE 11 – COMPONENT UNITS’ REVENUE BONDS AND NOTES PAYABLE

GUSC:

On November 17, 2017, the GUSC issued Water Supply Revenue Bonds Series 2017, for \$48,710,000 to refund the Water Supply Revenue Bonds Series 2008 principal amount of \$51,630,000 and to provide \$3,200,000 for water plant improvements. The difference between the cash flows required to service the old debt and that required to service the new debt and complete the refunding was \$6,406,207. The economic gain on refunding was \$6,685,593.

CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2021

NOTE 11 – COMPONENT UNITS’ REVENUE BONDS AND NOTES PAYABLE – CONTINUED

GUSC - CONTINUED:

Direct Placements	2021
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GUSC:

Revenue Bonds Series 2017

Due in varying amounts beginning June 1, 2019, until January 1, 2039 with interest payable semi-annual on June 1 and December 1 at rates varying from 3.75% to 5.00%. Payable solely from and secured by the pledge of water reservoir revenues.

\$ 43,710,000

Activity during 2021 related to long-term debt principal obligations is as follows:

	<u>Balance at September 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at September 30, 2021</u>	<u>Due Within One Year</u>
Water Supply Revenue Bonds					
Series 2017	\$ 45,205,000	\$ -	\$ 1,495,000	\$ 43,710,000	\$ 1,570,000
Premium on Series 2017	<u>5,321,876</u>		<u>484,776</u>	<u>4,837,100</u>	
	<u>\$ 50,526,876</u>	<u>\$ -</u>	<u>\$ 1,979,776</u>	<u>\$ 48,547,100</u>	<u>\$ 1,570,000</u>

Debt service requirements on bonds payable at September 30, 2021 were as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal</u>
2022	\$ 1,570,000	\$ 2,074,625	\$ 3,644,625
2023	1,650,000	1,996,125	3,646,125
2024	1,730,000	1,913,625	3,643,625
2025	1,815,000	1,827,125	3,642,125
2026	1,905,000	1,736,375	3,641,375
2027-2031	11,075,000	7,151,875	18,226,875
2032-2036	14,040,000	4,180,325	18,220,325
2037-2039	<u>9,925,000</u>	<u>1,008,500</u>	<u>10,933,500</u>
	<u>\$ 43,710,000</u>	<u>\$ 21,888,575</u>	<u>\$ 65,598,575</u>

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 11 – COMPONENT UNITS’ REVENUE BONDS AND NOTES PAYABLE - CONTINUED

<u>Direct Borrowings</u>	<u>2021</u>
Airport Authority	
Notes payable - bank Due in monthly installments at 3.52% annual interest rate, matures February 2028, collateralized by all assets, funding agreement with the City.	\$ 486,876
Notes payable - bank Due in monthly installments at 4.52% annual interest rate, matures February 2029, collateralized by all assets, funding agreement with the City.	487,438
Notes payable - bank Due in monthly installments at 4.15% annual interest rate, matures March 2024, collateralized by fixed assets purchase with the note.	17,192
Notes payable - bank Due in monthly installments at 1.00% annual interest rate, matures May 2022, unsecured, SBA PPP Loan	<u>-</u>
Total Warrants Payable- Governmental Activities	<u>\$ 991,506</u>

Activity during 2021 related to long-term debt principal obligations is as follows:

	Balance at September 30, 2020	Additions	Deletions	Balance at September 30, 2021
Notes Payable				
Bank, due February 2028	\$ 528,454	\$ -	\$ 41,578	\$ 486,876
Bank, due February 2029	503,698		16,260	487,438
Bank, due March 2024	38,410		21,218	17,192
Bank, due May 2022, SBA PPP Loan	<u>60,901</u>		<u>60,901</u>	
	<u>\$ 1,131,463</u>	<u>\$ -</u>	<u>\$ 139,957</u>	<u>\$ 991,506</u>

CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2021

NOTE 11 – COMPONENT UNITS’ REVENUE BONDS AND NOTES PAYABLE – CONTINUED

Airport Authority - Continued

Debt service requirements on bonds payable at September 30, 2021 were as follows:

Year Ending			Total
September 30	Principal	Interest	Principal
2022	\$ 54,954	\$ 38,895	\$ 93,849
2023	53,672	36,701	90,373
2024	48,464	34,735	83,199
2025	50,394	32,805	83,199
2026	52,403	30,796	83,199
2027-2031	568,551	83,692	652,243
2032-2036	163,068	11,862	174,930
	<u>\$ 991,506</u>	<u>\$ 269,486</u>	<u>\$ 1,260,992</u>

NOTE 12 – CHANGES IN OTHER-TERM LIABILITIES

Activity during 2021 related to other long-term debt obligations is as follows:

Primary Government	Balance at			Balance at
	September 30,	Additions	Reductions	September 30,
	2020			2021
Governmental Activities:				
Net Pension Obligation	\$ 52,322,148	\$ 3,453,170	\$ -	\$ 55,775,318
Net OPEB Obligation	32,386,984		536,167	31,850,817
Closure and Postclosure Costs	266,845	-	-	266,845
	<u>\$ 84,975,977</u>	<u>\$ 3,453,170</u>	<u>\$ 536,167</u>	<u>87,892,980</u>

CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2021

NOTE 12 – CHANGES IN LONG-TERM LIABILITIES – CONTINUED

Business -Type Activities:

Activity during 2021 related to other long-term debt obligations is as follows:

<i>Water Service</i>	Balance at	Additions	Reductions	Balance at
	September 30, 2020			September 30, 2021
Net Pension Obligation	\$ 6,713,030	\$ 443,049	\$ -	\$ 7,156,079
Net OPEB Obligation	3,544,948	501,413	-	4,046,361
	<u>\$ 10,257,978</u>	<u>\$ 944,462</u>	<u>\$ -</u>	<u>\$ 11,202,440</u>

<i>Electric Service</i>	Balance at	Additions	Reductions	Balance at
	September 30, 2020			September 30, 2021
Net Pension Obligation	\$ 4,655,811	\$ 307,276	\$ -	\$ 4,963,087
Net OPEB Obligation	2,458,593	34,754	-	2,493,347
	<u>\$ 7,114,404</u>	<u>\$ 342,030</u>	<u>\$ -</u>	<u>\$ 7,456,434</u>

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 13 – FUND BALANCES – GOVERNMENTAL FUNDS

Amounts for specific purposes by fund and fund balance classifications for the year ended September 30, 2021, are as follows:

Classification/Fund	Purpose	General Fund	Debt Service Fund	Other Nonmajor Funds	Total Governmental Fund
Nonspendable					
Prepaid items	Insurance	\$ 328,446	\$ -	\$ -	\$ 328,446
Inventory		-			-
Restricted					
Debt Service	Retire Debt		1,437,170		1,437,170
Capital Projects	Special Projects			15,854	15,854
Community Development	Residential Improvements			730,375	730,375
Special Revenue Activities	Proscribed Use			13,188,232	13,188,232
Storm Water Acct	Storm Water				
Police Sex Offender Account	Maintenance	1,257,470			1,257,470
Municipal Court Cash	Child Protection	11,542			11,542
	Judicial	100			100
Committed					
Recreation Facilities	Public Service & Fitness	4,121,269			4,121,269
Assigned					
Library	Public Service	1,072,477			1,072,477
Gold Course & Recreational	Quality of Life & Health	3,568,600			3,568,600
Unassigned					
General	Unassigned	16,397,216			16,397,216
Total fund balances		\$ 26,757,120	\$ 1,437,170	\$ 13,934,461	\$ 42,128,751

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 14 – RISK MANAGEMENT

The City of Bessemer is exposed to various risk of loss related to torts, theft, errors and omissions, job related illness and injury, and natural disasters. Risk management is the process of managing the activities of the City to minimize the adverse effects of those losses and to also obtain resources to provide for and restore economic damages resulting from losses.

The City was self-insured through June of 2015. As of July 1, 2015, the City became part of a group self-insured fund, the Municipal Workers Compensation Fund, which is administered by Millennium Risk Managers. This insurance policy limits the City's exposure to \$500,000 per incident.

The City pays undisputed medical claims related to workers' compensation up to the deductible of \$500,000. Liabilities for incurred and unpaid claims are included in the government-wide statements. Expenditures are recognized in the fund financial statements as they are paid.

NOTE 15 – COMMITMENTS, CLAIMS, AND CONTINGENCIES

Various lawsuits are pending against the City. In addition, numerous claims have been filed which have not yet resulted in lawsuits. In the opinion of the City Attorney, the potential adverse impact of the majority of these claims, individually or in the aggregate, would not be material to the financial statements of the City.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under the terms of the grants. City management believes such disallowances, if any, would be immaterial.

The City has entered into agreements in recent years with other entities for economic development purposes. Pursuant to these agreements, the City will make payments over stated periods of years for the development of various projects and facilities that the City believes will promote the tax and revenue base of the City and increase employment opportunities in the City. The City generally expects that these agreements will result in greater tax revenues for the City than the City is obligated to pay under such agreements, and in certain cases, the City's obligations are capped at an amount not to exceed the tax revenues it actually receives. These obligations are limited obligations of the City payable generally as rebates of taxes received by the City from private entities. Payables related to these obligations for amounts collected subject to rebate but not yet remitted have been reflected in the liabilities and expenditures of the City.

On October 1, 2013, the City and the Bessemer Airport Authority issued the Series 2013, Revenue Bond of Bessemer Airport Authority to Regions Bank for the principal amount of \$718,779. The bond is a general obligation of the City to be paid \$60,000 annually on or before December 1, 2013, and on or before October 1st of each year thereafter as long as the bond shall be outstanding. The Authority refinanced the bond with a note payable in March 2017. The Authority refinanced again in February 2021. The City has a general obligation to service \$60,000 of this debt annually. As of September 30, 2021, the outstanding balance of the notes payable was \$974,314.

CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2021

NOTE 16 – LANDFILL CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the City of Bessemer (the “City”) to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as a long-term liability. The liability is increased or decreased each period based on landfill capacity used as of each balance sheet date.

The \$266,845 reported as landfill postclosure care liability at September 30, 2021, represents the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of one landfill site and 34 percent of the estimated capacity of a second landfill site. The City will recognize the remaining estimated cost of closure and postclosure care of \$236,520 as the remaining capacity is filled. These amounts are based on what it would cost to perform all postclosure care in 2021. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. Officials estimate the remaining life of the open landfill site to be approximately 18 years.

NOTE 17 – RETIREMENT PLAN

General Information about the Pension Plan

Plan Description. The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 15 trustees. Act 390 of the Legislature of 2021 created two additional representatives to the ERS Board of Control Effective October 1, 2021. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 15 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 17 – RETIREMENT PLAN – CONTINUED

General Information about the Pension Plan (Continued)

- 6) Eight members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. One full time employee of a participating municipality or city in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - d. One full time employee of a participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - e. One full time employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - f. One full time employee of a participating employer other than a municipality, city or county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

Benefits Provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for Tier 1 ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 1 members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State police are allowed 2.875% for each year of State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375 % for each year of State Police service in computing the formula method.

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 17 – RETIREMENT PLAN – CONTINUED

General Information about the Pension Plan (Continued)

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 590 employers adopted Act 2019-132.

Act 316 of the Legislature of 2019 allows employees at the time of retirement to receive a partial lump sum (PLOP) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of partial lump sum distribution selected.

The ERS membership includes approximately 104,510 participants from approximately 879 local participating employers. As of September 30, 2021, membership consisted of:

Retirees and beneficiaries currently receiving benefits	29,727
Terminated employees entitled to but not yet receiving benefits	2,130
Terminated employees not entitled to a benefit	16,415
Active members	56,184
Post-DROP participants still in active service	<u>54</u>
Total	<u>104,510</u>

Contributions. Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation.

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 17 – RETIREMENT PLAN – CONTINUED

General Information about the Pension Plan (Continued)

Employers participating in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676, Tier 1 regular members' contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 certified law enforcement, correctional officers', and firefighters' member contribution rates increased from 6% to 8.5% of earnable compensation.

Tier 2 covered members of the ERS (except State Police and certified law enforcement, correctional officers and firefighters) contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2021, the City's active employee contribution rate was 18.59% of covered payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 18.15% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2021, was 17.19% of pensionable pay for Tier 1 employees, and 15.37% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2020, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$4,878,091 for the year ended September 30, 2021.

CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2021

NOTE 17 – RETIREMENT PLAN – CONTINUED

General Information about the Pension Plan (Continued)

Net Pension Liability

The City’s net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019, rolled forward to September 30, 2020, using standard roll-forward techniques as shown in the following table:

<u>Rollforward of the Total Pension Liability</u>			
	<u>Expected</u>	<u>Actual Before Act 2019-132</u>	<u>Actual After Act 2019-132</u>
(a) Total Pension Liability as of September 30, 2019	\$ 147,530,673	\$ 149,046,103	\$ 149,046,103
(b) Discount rate	7.70%	7.70%	7.70%
(c) Entry Age Normal Cost for the period			
October 1, 2019 - September 30, 2020	2,732,329	2,732,329	2,732,329
(d) Transfers Among Employers:	-	(958,511)	(684,273)
(e) Actual Benefit Payments and Refunds for the			
period October 1, 2019-September 30, 2020	<u>(9,620,075)</u>	<u>(9,620,075)</u>	<u>(9,620,075)</u>
(f) Total Pension Liability as of September 30, 2020 = [(a) x (1+(b))]+ (c) +(d)+[(e) x (1+.05*(b))]	<u>\$ 151,632,416</u>	<u>\$ 152,306,023</u>	<u>\$ 152,306,023</u>
(g) Difference between Expected and Actual Experience (Gain) Loss		\$ 673,607	
(h) Less Liability Transferred for Immediate Recognition:		<u>(958,511)</u>	
(i) Experience (Gain)/Loss = (g) - (h)		<u>\$ 1,632,118</u>	
(j) Difference between Actual TPL Before and After Act 2019-132 Benefit Change (Gain)/Loss =			\$ -0-

CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2021

NOTE 17 – RETIREMENT PLAN – CONTINUED

Net Pension Liability (Continued)

Actuarial assumptions. The total pension liability as of September 30, 2020, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2019. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	3.25% - 5.00%, including inflation
Investment rate of return*	7.70%

*Net of pension plan investment expense

Mortality rates were based on the Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019:

<u>Group</u>	<u>Membership Table</u>	<u>Set Forward (+)/ Setback (-)</u>	<u>Adjustment to Rates</u>
Non-FLC Service Retirees	General Healthy Below Median	Male: +2, Female: +2	Male: 90% ages < 65, 96% ages >= 65 Female: 96% all ages
FLC/State Police Service Retirees	Public Safety Healthy Below Median	Male: +1, Female: none	None
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: +2	None
Non-FLC Disabled Retirees	General Disability	Male: +7, Female: +3	None
FLC/State Police Disabled Retirees	Public Safety Disability	Male: +7, Female: none	None

The actuarial assumptions used in the September 30, 2020 valuation were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2020.

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 17 – RETIREMENT PLAN – CONTINUED

Net Pension Liability (Continued)

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	15.0%	2.8%
US Large Stocks	32.0%	8.0%
US Mid Stocks	9.0%	10.0%
US Small Stocks	4.0%	11.0%
Int'l Developed Mkt Stocks	12.0%	9.5%
Int'l Emerging Mkt Stocks	3.0%	11.0%
Alternatives	10.0%	9.0%
Real Estate	10.0%	6.5%
Cash	<u>5.0%</u>	1.5%
Total	100.0%	

*Includes assumed rate of inflation of 2.00%

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 17 – RETIREMENT PLAN – CONTINUED

Net Pension Liability (Continued)

Discount rate. The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan’s fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 9/30/2019	\$ 147,530,673	\$ 83,839,684	\$ 63,690,989
Changes for the year:			
Service cost	2,732,329		2,732,329
Interest	10,989,489		10,989,489
Change of assumptions	-		-
Differences between expected and actual experience	1,632,118		1,632,118
Contributions--employer		4,635,849	(4,635,849)
Contributions--employee	-	1,840,955	(1,840,955)
Net investment income		4,673,637	(4,673,637)
Benefit payments, including refunds of employee contributions	(9,620,075)	(9,620,075)	-
Administrative expense			-
Transfers Among Employers	(958,511)	(958,511)	-
Net changes	4,775,350	571,855	4,203,495
Balances at 9/30/2020	\$ 152,306,023	\$ 84,411,539	\$ 67,894,484

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 17 – RETIREMENT PLAN – CONTINUED

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the City's net pension liability calculated using the discount rate of 7.70%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.70%) or 1-percentage-point higher (8.70%) than the current rate:

	1.00% Decrease	Current Discount Rate	1.00% Increase
	-6.70%	7.70%	8.70%
City's Net Pension Liability (Asset)	<u>\$ 84,867,485</u>	<u>\$ 67,894,484</u>	<u>\$ 53,499,960</u>

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 17 – RETIREMENT PLAN – CONTINUED

Changes in Net Pension Liability – CONTINUED

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2020. The auditor’s report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2021, the City recognized pension expense of \$4,878,091. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pension of the following sources:

	<u>Asset</u>	<u>Liability</u>
	Deferred	Deferred
	Outflows	Inflows
	of Resources	of Resources
Difference between expected and actual experience	\$ 2,918,280	\$ 41,665
Changes in assumptions	1,782,089	-
Net differences between projected and actual earnings on plan investments	2,657,864	-
Employer contributions subsequent to the Measurement Date	4,878,091	-
	<u>\$12,236,324</u>	<u>\$ 41,665</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

2022	\$ 2,030,956
2023	2,196,393
2024	1,828,856
2025	808,032
2026	374,609
Thereafter	77,722
	<u>\$ 7,316,568</u>

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

General Information about the OPEB Plan

Plan Administration: The City sponsors and administers a single-employer defined benefit health care plan, the Health Care Plan of the City of Bessemer (hereinafter referred to as the “Plan”). The Plan is used to provide postemployment benefits other than pensions for permanent full-time employees.

Management of the OPEB plan is governed by the City. The authority to establish and/or amend the obligation of the employer, employees, and retirees rests with the City. No assets are accumulated in a trust that meets the criteria in paragraph 4 of the Governmental Standards Board (GASB) Statement No. 75.

Benefits Provided: The Plan benefits provided in the City’s retiree health care plan include health care, prescription drug, dental, vision, and life insurance. Medicare Supplement insurance is provided to eligible retirees upon Medicare eligibility age. Dental and vision coverage are offered in separate stand-alone plans and coverage is provided for the retirees’ lifetime. Life insurance is provided for the retirees’ lifetime.

Funding Policy: Under the Plan, the City pays the cost of pre-Medicare medical insurance premiums and lifetime dental insurance premiums based on the years of creditable service at retirement using the following schedule:

Age at Retirement	Years of Service With the City at Retirement	City Contribution Toward Retiree Coverage	City Contribution Toward Dependent Coverage
Any	30 or more*	100.0%	50.0%
Any	29	95.0%	47.5%
Any	28	90.0%	45.0%
Any	27	85.0%	42.5%
Any	26	80.0%	40.0%
Any	25	75.0%	37.5%
60	24	70.0%	35.0%
60	23	65.0%	32.5%
60	22	60.0%	30.0%
60	21	55.0%	27.5%
60	20	50.0%	25.0%

* Any employee retiring under disability retirement with ten years of service with the City will receive the same benefits as if they had retired with thirty years of service with the City.

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

**NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION –
CONTINUED**

General Information about the OPEB Plan – Continued

Upon reaching Medicare eligibility age, the City will provide retirees with C Plus Medicare Supplement insurance, only if they qualified for City contributions according to the years of creditable service at retirement. Members not qualifying for City contributions according to the schedule above may continue to participate in the City’s pre-Medicare health and dental plans by paying the required insurance premiums. The City pays the full cost of vision coverage for all retirees for their lifetime. The City provides life insurance in the amount of \$3,000 to all retirees for their lifetime. The retiree may continue dependent coverage (and pay the required cost of this coverage) if enrolled in dependent coverage at the time of retirement. Dependents may continue Medicare Supplement insurance by paying the required cost of this coverage (50% of the C Plus Medicare Supplement if the retiree qualified for City contributions). Dependents may continue coverage in the pre-Medicare medical plan by paying the required premium rate upon the death of the retiree only if the retiree qualified for City contributions.

Plan Membership: At September 30, 2018, City plan membership consisted of the following:

Inactive Employees or Beneficiaries Currently Receiving Benefits	255
Inactive Members Entitled to but not yet Receiving Benefits	-
Active Employees	<u>671</u>
Total Membership	<u>926</u>

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

**NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION –
CONTINUED**

Total OPEB Liability

The City's total OPEB liability of \$38,390,525 was measured as of September 30, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total OPEB liability was determined by an actuarial valuation as of September 30, 2018, using the following key actuarial assumptions and other inputs:

Inflation	2.75%
Real wage growth	0.25%
Wage inflation	3.00%
Salary increases, including wage inflation	3.25% - 5.00%
Municipal Bond Index Rate Prior Measurement Date	4.18%
Measurement Date	2.66%
Health Care Cost Trends	
Pre-Medicare	7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028
Medicare	5.38% for 2018 decreasing to an ultimate rate of 4.75% by 2022
Dental	4.00%
Vision	2.50%

The discount rate used to measure the TOL was based on the September average of the Bond Buyer General Obligation 20-year Municipal Bond Index published at the last week during the month of September by The Bond Buyer.

Mortality rates for active employees were based on the sex distinct RP-2000 Employee Mortality Table projected with Scale BB to 2021 with an adjustment factor of 70% for males and 50% for females. Postretirement mortality rates on the sex distinct RP-2000 Blue Collar Mortality Table projected with Scale BB to 2021. An adjustment of 125% at all ages for males and 120% for females beginning at age 78 was made for service retirements and beneficiaries. An adjustment of 130% for females at all ages was made for disability retirements.

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION – CONTINUED

Sensitivity

The following table presents the City’s total OPEB liability calculated using the health care cost trend rates, as well as what the Plan’s TOL would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Sensitivity of Health Care Cost Trend Rate

	1.00% Decrease	Current Discount Rate	1.00% Increase
Total OPEB Liability (Asset)	\$ 32,036,372	\$ 38,390,525	\$ 46,651,887

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION – CONTINUED

Sensitivity – Continued

Discount Rate Sensitivity

	1.00% Decrease	Current Discount Rate	1.00% Increase
	1.66%	2.66%	3.66%
Total OPEB Liability (Asset)	\$ 45,056,337	\$ 38,390,525	\$ 33,018,605

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2021, the City recognized OPEB expense of \$2,312,567. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pension of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 458,808	\$ 2,216,885
Changes in assumptions		
Employer contributions subsequent to the Measurement Date	<u>6,709,196</u>	<u>3,914,687</u>
	<u>\$ 7,168,004</u>	<u>\$ 6,131,572</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB benefits will be recognized in OPEB expense as follows:

Year ended September 30:

2021	\$ (88,266)
2021	(88,266)
2022	(88,266)
2023	(88,266)
2024	162,609
Thereafter	<u>1,226,887</u>
Total	<u>\$ 1,036,432</u>

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 19 – TAX ABATEMENTS AND INCENTIVE AGREEMENTS

The City is subject to GASB Statement 77, for the year ended September 30, 2021. This statement requires the City to disclose tax abatements granted by the City and other governmental entities that reduce the tax revenue of the City. The City and the Industrial Development Board of the City of Bessemer are involved with such abatements. GASB Statement 77 requires the City to disclose the amount of the taxes abated during the fiscal year. For purposes of this disclosure, the City chooses to disclose the aggregate information by type of taxes abated. The information below has been compiled after reasonable attempts to obtain the required information. The City makes no representation that the information is correct, complete, or the individual circumstances have not changed subsequent to this reporting.

The City offers abatements of certain state, county, and municipal ad-valorem taxes (noneducational portion), sales and use taxes, (noneducational portion), and mortgage and recording taxes with respect to the Project pursuant to the provisions of Act 92-599 enacted during the 1992 Regular Session of the Legislature of Alabama and now codified as Chapter 9B of Title 40 of the Code of Alabama (1975), as amended (herein called the “Tax Abatement Act”).

From time-to-time, the City enters into economic and/or industrial development incentive agreements with entities that propose to locate businesses within the City or expand current businesses. All of this is in an attempt to develop a solid and diverse local economy, to increase employment opportunities in the City, to broaden the City’s tax base, to increase revenues, and to provide necessary and improved services to the citizens of the City, thereby improving the quality of life of its citizens. In exchange for incremental jobs and/or incremental revenues created, the City will rebate all or a portion of sales and use taxes, occupational taxes, and other licenses and fees with these entities over a period of time and/or up to a capped dollar amount.

The City’s tax revenues were reduced or rebated under the Tax Abatement Act and various economic and/or industrial development incentive agreements during the year ended September 30, 2021, as follows:

Municipal ad-valorem taxes (noneducational portion)	\$ 559,746
Sales and use taxes	<u>865,072</u>
Total	\$ <u>1,424,818</u>

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 20 – PRIOR PERIOD ADJUSTMENTS

During the year ended September 30, 2021, certain accounts had prior period adjustments as follows which had an impact on beginning fund balances and net positions:

	<u>Beginning Net Position as Originally Reported</u>	<u>Prior Period Adjustments</u>	<u>Beginning Net Position Balance as Restated</u>
Governmental Activities:			
Statement of Net Position Financial Statements:			
Correct capital assets		\$ (331,856)	
Total Net Position	<u>\$ (42,760,626)</u>	<u>\$ (331,856)</u>	<u>\$ (43,092,482)</u>
	<u>Beginning Net Position as Originally Reported</u>	<u>Prior Period Adjustments</u>	<u>Beginning Net Position Balance as Restated</u>
Governmental Funds:			
Balance Sheet			
General Fund - Correct Capital Assets	\$ 18,153,622	\$ 399,936	\$ 18,553,558
Debt Service Fund - Correct Timing			
Difference in Revenue Recognition	907,076	-	907,076
NonMajor Funds - Correct Timing			
Difference in Revenue Recognition	<u>5,020,626</u>	<u>(333,130)</u>	<u>4,687,496</u>
Total Fund Balance	<u>\$ 24,081,324</u>	<u>\$ 66,806</u>	<u>\$ 24,148,130</u>
Business - Type Activities:			
Electric Service			
Statement of Net Position Financial Statements:			
Correct prior period Receivables Due From Bessemer			
Water Service		\$ (1,353,881)	
Total Net Position	<u>\$ 15,633,244</u>	<u>\$ (1,353,881)</u>	<u>\$ 14,279,363</u>
Water Service			
Statement of Net Position Financial Statements:			
Correct Due From Bessemer Electric Service		18,653	
Total Net Position	<u>\$ 638,465</u>	<u>\$ 18,653</u>	<u>\$ 657,118</u>
Civic Center			
Statement of Net Position Financial Statements:			
Correct Timing Difference in Revenue Recognition		(12,111)	
Total Net Position	<u>\$ (493,289)</u>	<u>\$ (12,111)</u>	<u>\$ (505,400)</u>

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2021

NOTE 21 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 31, 2022, the date which the financial statements were available to be issued.

Events occurring after September 30, 2021, have been evaluated for possible adjustment to the financial statements or disclosure as of October 31, 2022, which is the date the financial statements were available to be issued.

On December 1, 2021, the City Council approved a resolution authorizing the issuance of \$62,245,000 Warrants as follows:

\$48,585,000, Taxable General Obligation Refunding Warrants, Series 2021-A,
\$5,945,000 Tax-Exempt General Obligation Warrants, Series 2021-B,
\$7,715,000 Tax-Exempt General Obligation Warrants, Series 2021-C,

The bonds closed on December 16, 2021.

General Purposes of the Series 2021-A Warrants

The Series 2021-A Warrants are being issued to provide funds (a) to refund those of the Series 2013-A Warrants, the Series 2013-C Warrants, the Series 2014-D Warrants and the Series 2014-E Warrants that mature after their respective initial optional redemption dates, and (b) to pay the costs of issuing the Series 2021-A Warrants. The warrants that are being refunded through the issuance of the Series 2021-A Warrants have an aggregate principal amount of \$46,430,000 and are referred to collectively in this Official Statement as the “Refunded General Obligation Warrants”. Those of the Series 2013-A Warrants, Series 2013-C Warrants, Series 2014-D Warrants and Series 2014-E Warrants that are not being refunded through the issuance of the Series 2021-A Warrants have an aggregate principal amount of \$5,375,000 and are referred to collectively in this Official Statement as the “Unrefunded Warrants”.

General Purposes of the Series 2021-B Warrants

The City has heretofore issued its Limited Obligation Gasoline Tax Warrants, Series 2013-B, dated December 1, 2013 (the “Series 2013-B Warrants”), which were issued in the principal amount of 2,225,000 and are now outstanding in the principal amount of \$730,000. The Series 2021-B Warrants are being issued (i) to effect a current refunding of the outstanding Series 2013-B Warrants, (ii) to finance the costs of various street and road construction and improvement projects in the City, and (iii) to pay the costs of issuing the Series 2021-B Warrants.

General Purposes of the Series 2021-C Warrants

The Series 2021-C Warrants are being issued (i) to finance the costs of various street and road construction and improvement projects in the City, and (ii) to pay the costs of issuing the Series 2021-C Warrants.

CITY OF BESSEMER, ALABAMA
Schedule of Changes in Total OPEB Liability
September 30, 2021

City of Bessemer
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
Last Available 10 Fiscal Years Ending September 30

	2019	2018	2017
Total OPEB Liability			
Service cost	\$ 1,208,702	\$ 1,530,873	\$ 1,757,895
Interest	1,192,131	1,187,665	1,013,911
Changes of benefit terms	-	(1,001,134)	-
Differences between expected and actual experience	286,640	(3,033,417)	354,111
Change of assumptions	7,752,617	(2,502,317)	(3,504,948)
Benefit payments	(1,127,361)	(737,161)	(1,175,813)
Other	-	-	-
Net change in total OPEB liability	9,312,729	(4,555,491)	(1,554,844)
Total OPEB liability-beginning	29,077,796	33,633,287	35,188,131
Total OPEB liability-ending (a)	<u>\$ 38,390,525</u>	<u>\$ 29,077,796</u>	<u>\$33,633,287</u>
Covered payroll*	\$ 31,480,908	\$ 31,480,908	\$30,454,186
Net OPEB liability (asset) as a percentage of covered payroll	121.95%	92.37%	110.44%

The benefit payments shown above includes the implicit subsidy, if any, for the year.
Net benefits paid outside the trust are also included.

City of Bessemer
Benefits other than Pensions
September 30, 2020

Schedule of Changes in Total OPEB Liability

Total OPEB Liability

Total OPEB Liability as of September 30, 2018 \$ 29,077,796

Changes for the year:

Service Cost at the end of the year*	1,208,702
Interest on TOL and Cash Flows	1,192,131
Change in benefit terms	-
Difference between expected and actual experience	286,640
Changes of assumptions or other inputs	7,752,617
Benefit payments	(1,127,361)
Other	-

Net changes 9,312,729

Total OPEB Liability as of September 30, 2019 \$ 38,390,525

Changes in benefits terms since prior measurement date:

- None.

Changes in assumptions or other inputs since prior measurement date:

- Change in discount rate

City of Bessemer
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
Last Available 10 Fiscal Years Ending September 30

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total Pension Liability										
Service cost	\$ 2,732,329	\$ 2,721,691	\$ 2,582,382	\$ 2,632,723	\$ 2,511,544	\$ 2,394,443	\$ 2,285,389			
Interest	10,989,489	10,641,323	10,361,862	9,897,620	9,356,255	8,874,809	8,594,432			
Changes of benefit terms	-	-	-	-	-	-	-			
Differences between expected and actual experience	1,632,118	1,105,939	(76,384)	1,413,340	737,352	2,591,946	-			
Change of assumptions	-	-	726,302	-	6,005,685	-	-			
Benefit payments, including refunds of employee contributions	(9,620,075)	(8,906,023)	(8,568,877)	(8,181,814)	(8,035,313)	(7,650,923)	(7,099,318)			
Transfers among employers	(958,511)	(684,273)	(359,156)	421,885	255,767	-	-			
Net change in total pension liability	4,775,350	4,878,657	4,666,129	6,183,754	10,831,290	6,210,275	3,780,503			
Total pension liability--beginning	147,530,673	142,652,016	137,985,887	131,802,133	120,970,843	114,760,568	110,980,065			
Total pension liability--ending (a)	\$ 152,306,023	\$ 147,530,673	\$ 142,652,016	\$ 137,985,887	\$ 131,802,133	\$ 120,970,843	\$ 114,760,568			
Plan fiduciary net position										
Contributions--employer	\$ 4,635,849	\$ 4,919,373	\$ 4,179,660	\$ 4,200,719	\$ 4,317,742	\$ 4,027,999	\$ 3,819,448			
Contributions--member	1,840,955	1,888,110	1,785,551	1,717,279	1,656,712	1,594,175	1,547,167			
Net investment income	4,673,637	2,133,778	7,282,336	9,204,309	6,812,829	806,003	7,491,327			
Benefit payments, including refunds of employee contributions	(9,620,075)	(8,906,023)	(8,568,877)	(8,181,814)	(8,035,313)	(7,650,923)	(7,099,318)			
Administrative expense										
Transfers Among Employers	(958,511)	(684,273)	(359,156)	421,885	255,767	137,968	(352,470)			
Net change in plan fiduciary net position	571,855	(649,035)	4,319,514	7,362,378	5,007,737	(1,084,778)	5,406,154			
Plan net position--beginning	83,839,684	84,488,719	80,169,205	72,806,827	67,799,090	68,883,868	63,477,714			
Plan net position--ending	\$ 84,411,539	\$ 83,839,684	\$ 84,488,719	\$ 80,169,205	\$ 72,806,827	\$ 67,799,090	\$ 68,883,868			
Net Pension liability (assets)--ending (a)-(b)	\$ 67,894,484	\$ 63,690,989	\$ 58,163,297	\$ 57,816,682	\$ 58,995,306	\$ 53,171,753	\$ 45,876,700			
Plan fiduciary net position as a percentage of the total pension liability	55.42%	56.83%	59.23%	58.10%	55.24%	56.05%	60.02%			
Covered payroll*	\$ 26,234,930	\$ 26,213,497	\$ 31,622,547	\$ 32,509,570	\$ 31,558,579	\$ 29,830,035	\$ 28,091,007			
Net pension liability (asset) as a percentage of covered payroll	258.79%	242.97%	183.93%	177.85%	186.94%	178.25%	163.31%			

*Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2020 the measurement period is October 1, 2019-September 30, 2020.

GASB issued a statement "Pension Issues" in March, 2016 to redefine covered payroll beginning with fiscal year 2017.

City of Bessemer
Schedule of City of Bessemer Contributions
Retirement Plan of Alabama
Last Available 10 Fiscal Years Ending September 30

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution*	\$ 4,878,091	\$ 5,279,968	\$ 4,738,043	\$ 4,179,660	\$ 4,198,444	\$ 4,313,610	\$ 4,125,114	\$ 5,366,615		
Contributions in relation to the actuarially required c	4,878,091	5,279,968	4,738,043	4,179,660	4,198,444	4,313,610	4,125,114	5,366,615		
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
City's covered-employee payroll**	\$ 26,234,930	\$ 26,213,497	\$ 31,622,547	\$ 32,107,711	\$ 32,509,570	\$ 31,558,579	\$ 29,830,035	\$ 28,091,007		
Contributions as a percentage of covered-employee	18.59%	20.14%	14.98%	13.02%	12.91%	13.67%	13.83%	19.10%		

* The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statements.

** Employer's covered payroll for fiscal year 2021 is the total covered payroll for 12 month period of the underlying financial statements.

NOTES TO SCHEDULE

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2021 were based on the September 30, 2018, actuarial valuation.

Methods and Assumptions used to Determine Contribution Rates for the 12 month period of the underlying financial statements:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percent Closed
Remaining Amortization Period	27.9 Years
Asset Valuation Method	Five Year Smoothed Market
Inflation	2.75%
Salary Increases	3.25% -5.00%, Including Inflation
Investments Rate of Return	7.70%, Net of Pension Plan Investment Expense, including Inflation.

THE CITY OF BESSEMER, ALABAMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2021

Special Revenue Funds

	Community Development Fund	Covid 19 Relief Fund	Confiscated Drug Fund	TIF District Fund	Police & Fire Grant Fund	State Seized Fund	City Hall/ Rec Center	Municipal Court Fund	Cash Bond Fund	City Donated Fund Cash	Auditorium Rental Fund	Police Donated Fund Cash Account	Rebuild Alabama Gas Tax Fund	Gas 7 Cent Tax Shares Fund	4 & 5 Cent Gas Tax	1 Cent Gas Tax Fund	E-911 Fund	Total Special Revenue Funds	Capital Projects Fund	Nonmajor Governmental Funds
ASSETS																				
Cash and Cash equivalents	\$ 724,599	\$ 6,985,448	\$ 219,017	\$ 1,803,845	\$ 121,498	\$ 87,376		\$ 679,011	\$ 1,679,612	\$ 209	\$ 109,553	\$ 32,088	\$ 257,934	\$ 527,886	\$ 605,699	\$ 540,193	\$ 89,415	\$ 14,463,383	\$ 15,854	\$ 14,479,237
Cash with Escrow Agents	5,776																	5,776	-	5,776
Accounts Receivable					60,247													225,301	-	225,301
Loans Receivable	1,521,226													165,054				1,521,226	-	1,521,226
Due from Other Funds	630,108		19,854	394				12,648			569	2,302		67,551				733,426	-	733,426
Deferred Loans Receivable	421,684																	421,684	-	421,684
Total Assets	3,303,393	6,985,448	238,871	1,804,239	181,745	87,376	-	691,659	1,679,612	209	110,122	34,390	257,934	760,491	605,699	540,193	89,415	17,370,796	15,854	17,386,650
LIABILITIES AND FUND BALANCE																				
LIABILITIES																				
Accounts payable	2,074			90,948	23,819			58,628	587,767											
Due to Other Funds	493,029			764,488	30,006			1,390,047			8,412	2,055			394		1,123	764,359	-	764,359
Total Liabilities	495,103	-	-	855,436	53,825	-	-	1,448,675	587,767	-	8,412	2,055	-	-	394	-	1,123	2,688,431	-	2,688,431
Fund balance																				
Restricted	2,808,290	6,985,448	238,871	948,803	127,920	87,376	-	(757,016)	1,091,845	209	101,710	32,335	257,934	760,491	605,305	540,193	88,292	13,918,006	15,854	13,933,860
Total Liabilities and Fund balance	\$ 3,303,393	\$ 6,985,448	\$ 238,871	\$ 1,804,239	\$ 181,745	\$ 87,376	\$ -	\$ 691,659	\$ 1,679,612	\$ 209	\$ 110,122	\$ 34,390	\$ 257,934	\$ 760,491	\$ 605,699	\$ 540,193	\$ 89,415	\$ 17,370,796	\$ 15,854	\$ 17,386,650

**THE CITY OF BESSEMER, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

Special Revenue Special Revenue Funds

	Community Development Fund	Covid 19 Relief Fund	Confiscated Drug Fund	TIF District Fund	Police Grant Fund	State Seized Fund	City Hall/ Rec Center	Municipal Court Fund	Cash Bond Fund	City Donated Fund Cash	Auditorium Rental Fund	Police Donated Fund Cash Account	Rebuild Alabama Gas Tax Fund	Gas 7 Cent Tax Shares Fund	4 & 5 Cent Gas Tax	1 Cent Gas Tax Fund	E-911 Fund	Total Special Revenue Funds	Capital Projects Fund	Nonmajor Governmental Funds
REVENUES:																				
Taxes				\$ 2,175,562									\$ 154,229	\$ 919,747	\$ 251,520	\$ 469,649		\$ 3,970,707	\$ -	\$ 3,970,707
Grants and intergovernmental	891,862	6,985,471			203,819													\$ 8,081,152		\$ 8,081,152
Charges and fees for services	19,927							585,596	134,407									1,395,995		1,395,995
Investment Income																	656,065			1,395,995
Other	33,171		156,297			5,893		256,738				5,991								-
Total Revenues	944,960	6,985,471	156,297	2,175,562	203,819	5,893	-	842,334	134,407	-	-	5,991	154,229	919,747	251,520	469,649	656,065	13,905,944	5,000	13,910,944
EXPENDITURES:																				
Current operations:																				
General Government	271,534	23		99,621			338													
Law Enforcement			44,645		203,798	34,132		765,866	17,743			8,430	289	429,546						801,673
Fire protection																				322
Public Improvement																	615,749			1,074,614
Health, Welfare, and Public Services																				615,749
Recreational																				-
Capital Outlay			39,195											450,314			5,800			495,309
Total Current Operations	271,534	23	83,840	99,621	203,798	34,132	338	765,866	17,743	-	-	8,430	289	879,860	-	-	621,549	2,987,023	322	2,987,345
Excess of Revenues Over (Under) Expenditures	673,426	6,985,448	72,457	2,075,941	21	(28,239)	(338)	76,468	116,664			(2,439)	153,940	39,887	251,520	469,649	34,516	10,918,921	4,678	10,923,599
OTHER FINANCING SOURCES (USES)																				
Transfers in	170,870													643,000						813,870
Transfers out				(1,071,375)				(354,230)						(422,500)		(643,000)				(2,491,105)
Total other financing sources (uses)	170,870	-	-	(1,071,375)	-	-	-	(354,230)	-	-	-	-	-	220,500	-	(643,000)	-	-	-	(1,677,235)
Net Change in Fund Balances	844,296	6,985,448	72,457	1,004,566	21	(28,239)	(338)	(277,762)	116,664	-	-	(2,439)	153,940	260,387	251,520	(173,351)	34,516	9,241,686	4,678	9,246,364
Fund Balances-Beginning	2,314,000		166,869	(55,763)	127,899	115,615	338	(480,089)	975,181	209	110,122	34,774	103,994	500,104	353,785	713,544	28,868	5,009,450	11,176	5,020,626
Prior Period Adjustment	(350,006)		(455)					835			(8,412)						24,908	(333,130)		(333,130)
Fund Balances-Ending	\$ 2,808,290	\$ 6,985,448	\$ 238,871	\$ 948,803	\$ 127,920	\$ 87,376	\$ -	\$ (757,016)	\$ 1,091,845	\$ 209	\$ 101,710	\$ 32,335	\$ 257,934	\$ 760,491	\$ 605,305	\$ 540,193	\$ 88,292	\$ 13,918,006	\$ 15,854	\$ 13,933,860

Constitutional Debt Limits

General. Pursuant to Section 225 of the Constitution of Alabama of 1901, no city, town or other municipal corporation having a population of 6,000 or more, except as hereinafter described, shall be indebted in an amount, including present indebtedness, exceeding twenty (20%) per centum of the assessed value of the property therein. The total assessed value of the property in the City as assessed for City taxation (including motor vehicles and net of exemptions) for the tax year that ended on September 30, 2021, for which taxes became due and payable on October 1, 2021, is \$465,375,400. Consequently, the general constitutional debt limitation currently applicable to the City is \$93,075,080.

The Constitution of Alabama excepts from the debt limit of cities having a population of 6,000 or more, such as the City, several categories of indebtedness. These are (i) temporary loans, to be paid in one year, made in anticipation of the collection of taxes and not exceeding one-fourth of the general revenues;

(ii) bonds or other obligations already issued, or which may hereafter be issued, for the purpose of acquiring, providing or constructing school houses, waterworks and sewers; (iii) obligations incurred and bonds issued for street or sidewalk improvements, where the cost of the same, in whole or in part, is to be assessed against the property abutting said improvements; and (iv) Section 94.01 indebtedness, discussed below. Further, under existing law, the amount of any indebtedness chargeable against the constitutional debt limit is reduced by the amount of any escrow or sinking fund held for the payment of such indebtedness. Indebtedness chargeable against the constitutional debt limit does not include obligations payable solely from the revenues derived from a project which was acquired with the proceeds of such obligations.

Excluding obligations which are not chargeable to its general constitutional debt limit because advance refunding escrows have been established for their payment, but including the Series 2013-A Warrants, the Series 2013-C Warrants, the Series 2014-E Warrants, the Airport Authority Funding Agreement, and the Compensated Absences Liability, the outstanding debt of the City chargeable against its general constitutional debt limit as of September 30, 2021, was \$43,207,863. Consequently, the City may hereafter incur additional indebtedness in the approximate amount of \$27,232,863 for other than exempt purposes without exceeding its general constitutional debt limit.

Future borrowing by the City for the purposes of acquiring, providing, or constructing schoolhouses, waterworks and sewers will not reduce the current unused general constitutional debt capacity of \$27,232,863. The constitutional debt capacity of the City will increase with any increase in the assessed value of taxable property in the City.

Section 94.01. By virtue of the provisions of Amendment 772 to the Constitution of Alabama of 1901 (now codified as Section 94.01 of said Constitution and herein referred to as "Section 94.01"), certain bonds, warrants, and other securities issued by the City for economic or industrial development purposes, which may themselves be issued without the necessity of approval of the electorate in an amount up to fifty percent (50%) of the assessed value of the property in the City, are not chargeable to the generally applicable twenty percent (20%) debt limit and may be additionally secured by a pledge of such taxes and other revenues as the City may levy for such purposes.

City of Bessemer, Alabama

Statement of Constitutional Debt Limits - Continued

September 30, 2021

Constitutional Debt Limits

The City's Series 2014-D Warrants were issued pursuant to the provisions of Section 94.01 to refund certain warrants that had been issued to finance various public infrastructures related to a commercial shopping center developed and constructed within the City. Accordingly, the Series 2014-D Warrants are not chargeable against the generally applicable debt limit of 20% of assessed value of property in the City, but rather are chargeable against the separate 50% debt limit of Section 94.01.

City of Bessemer, Alabama
Statement of Constitutional Debt Limits - Continued
September 30, 2021

The following statement reflects the City's legal debt margins as of September 30, 2021:

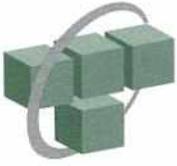
*City of Bessemer, Alabama Statement of
Legal Debt Margins*

Net assessed value of taxable property (as of September 30, 2021) ¹		\$ 465,375,400
General debt limit (20% of assessed value)		93,075,080
Section 94.01 debt limit		232,687,700
Total chargeable indebtedness ²		
	General Obligation Warrants, Series 2013-A	19,995,000
	General Obligation Warrants, Series 2013-C	9,005,000
	General Obligation Warrants, Series 2014-E	6,810,000
	Airport Funding Agreement	1,032,152
	Compensated Absences Liability	6,365,711
	Total chargeable debt outstanding	43,207,863
Less: Bonds or warrants for exempt purposes	General Obligation Warrants, Series 2014-D	<u>(15,995,000)</u>
Total debt chargeable against general legal debt margin		27,212,863
General legal debt margin		<u>\$ 65,862,217</u>
Total debt chargeable against Section 94.01 debt margin, Series 2014-D		<u>15,995,000</u>
Section 94.01 legal debt margin		<u>\$ 216,692,700</u>

¹ Source Jefferson County Tax Assessor. Includes real and personal property \$423,412,080 and motor vehicles \$41,963,320, net of exemptions.

² Does not included normal accounts payable or accrued but unpaid interest on outstanding indebtedness.

See independent auditors' report and notes to financial statements.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members of the City
Council Bessemer, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bessemer, Alabama (the "City"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Bessemer's basic financial statements and have issued our report thereon dated October 31, 2022. Our report includes a reference to other auditors who audited the financial statements of the Governmental Utility Services Corporation, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be and significant deficiencies: **20-012** and **20-013**.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Bessemer, Alabama's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



The Principal & Associates, Inc.
Certified Public Accountants
2100 South Bridge Parkway, Suite 650
P.O. Box 360973
Birmingham, Alabama 35236

October 31, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN REQUIRED BY THE UNIFORM
GUIDANCE**

Honorable Mayor and Members of the City
Council Bessemer, Alabama

Report on Compliance for Each Major Federal Program

We have audited the City of Bessemer, Alabama's (the "City"), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2021. The City's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

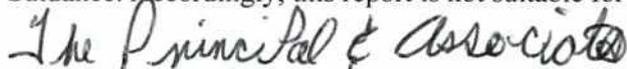
Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



The Principal & Associates, Inc.
Certified Public Accountants
2100 South Bridge Parkway, Suite 650
P.O. Box 360973
Birmingham, Alabama 35236

October 31, 2022

SUPPLEMENTAL SCHEDULES

CITY OF BESSEMER, ALABAMA
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2021

FEDERAL GRANTOR, PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	CFDA Number	Federal Expenditures
U.S. Department of Treasury		
Passed through Jefferson County:		
Coronavirus Relief Fund Under Cares Act	21.019	\$ 274,161
U.S. Environmental Protection Agency		
Brownfields Community Wide Assessment Grant	16.818	109,222
U.S. Department of Justice		
Byrne JAG 18 Program	16.738	7,409
Byrne JAG 19 Program	16.738	862
Equitable Sharing Program	16.922	83,840
Bullet Proof Vest	16.607	2,405
Coronavirus Emergency Supplemental Funding	16.034	64,812
National Association of Police Athletic/Activities	16.726	2,510
U.S. Department of Transportation		
Passed through State of Alabama Highway Department (ATRIP):		
Highway Planning and Construction	20.205	647,232
Executive Office of the President		
Passed through the Alabama Department of Public Safety		
High intensity Drug Trafficking Areas Program	07.999	8,947
U.S. Department of Housing and Urban Development		
Community Development Block Grant	14.228	278,370
Community Development Block Grant (Cares Act)	14.228	<u>79,638</u>
Total Expenditures of Federal Awards		<u>\$ 1,559,408</u>

See independent auditors' report and notes to financial statements.

CITY OF BESSEMER, ALABAMA

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Bessemer, Alabama (the Government) under programs of the federal government for the year ended September 30, 2021. The accompanying notes are an integral part of this schedule. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Government, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Government.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Government has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – MATCHING REQUIREMENTS

Certain Federal programs require the Government to contribute nonfederal funds (matching funds) to support the federally-funded programs. The Government has met its matching requirements. The Schedule does not include the expenditure of nonfederal matching funds.

CITY OF BESSEMER, ALABAMA
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2021

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors' report issued: Qualified

Internal control over financial reporting:

Any material weakness(es) identified? Yes _____ No X

Any significant deficiencies identified not considered to be material weakness? Yes _____ None reported X

Any noncompliance material to financial statements noted? Yes _____ No X

Federal Awards

Internal control over major programs:

Any material weakness (es) identified? Yes _____ No X

Any significant deficiencies identified not considered to be material weakness? Yes _____ None reported X

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 Section .516 (a) Yes _____ No X

Identification of major programs:

CFDA Number (s) Name of Federal Program or Cluster

20.205 Highway Planning and Construction
 21.019 Coronavirus Relief Fund Under Cares Act

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee Yes _____ No X

CITY OF BESSEMER, ALABAMA
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021

Section II: Financial Statements Findings

Finding 20- 012 Electronic Municipal Market Access (EMMA) Compliance

Condition: In connection with its debt obligations, the City did not timely file such annual financial information and operating data for the current year-end to the Municipal Securities Rulemaking Board pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule"), as amended, adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended.

Criteria: The City undertook to provide annual filings of certain financial information and operating data of the City to the Electronic Municipal Market Access system 180 days after the close of the City's fiscal year-end.

Effect: Non-Compliance with the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule"), as amended, adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended.

Recommendation: We recommend that the City comply with the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule"), as amended, adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended by timely closing the books within 90 days of the fiscal year- end to facilitated the completion of the City's Audit by Mar 30 of each fiscal year-end.

Corrective Action: The City has filed the appropriate notices and will file the required annual filings with the Municipal Securities Rulemaking Board via its Electronic Municipal Market Access (EMMA) system upon release of the City's financial statements.

Finding 20-013

Federal Grant Report (Compliance Supplement)

Condition:

The City did not submit its single audit reporting package related to the City's Federal Entitlement Grant requirements by the deadline required by rule 2 CFR section 200.512 (a) of the Federal Compliance Supplement.

Criteria:

Rule 2 CFR section 200.512 (a) of the Federal Compliance Supplement require that the City complete and submit its single audit reporting package for fiscal year September 30, 2021 by the due dates of the earlier of 30 calendar days after receipt of the auditor's reports or within nine months (June 30, 2022) after the September 30, 2021 fiscal year-end.

Effect:

Noncompliance with Rule 2 CFR section 200.512 (a) of the Federal Compliance Supplement.

Recommendation:

We recommend that the City comply with the requirements of Rule 2 CFR section 200.512 (a) of the Federal Compliance Supplement by the due date of 30 calendar days after receipt of the auditor's reports or nine months (June 30) after the September 30 fiscal year-end by timely closing the City books of accounting within 90 days of the fiscal year-end to facilitated the completion of the City's Audit by Mar 30 of each fiscal year-end.

Corrective Action:

The City has completed and will submitted its single audit reporting package for fiscal year September 30, 2021 as required by Rule 2 CFR section 200.512 (a) of the Federal Compliance Supplement upon release of the City's financial statements.

Section III: Federal Awards Findings

None



The Office of
Kenneth E. Gulley
Mayor

City of Bessemer

1700 Third Avenue, Bessemer, AL 35020
(205) 424-4060 FAX: (205) 424-4372
Email: mayorsoffice@bessemeral.org

October 31, 2022

CITY OF BESSEMER, ALABAMA
CORRECTIVE ACTION PLAN

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

The Fiscal Year 2021 Single Audit identified two internal control issues. The first issue was related to the timely filing of the audit report to Municipal Securities Rulemaking Board via the Electronic Municipal Market Access (EMMA), the second issue was for untimely submission of the audit report to the Federal Clearinghouse. The findings, and the corresponding corrective action taken on behalf of the City, are noted below. The Finance Department is optimistic the corrective action plan will facilitate the timely closing of fiscal year-end books and records related to all financial reporting for the benefit of the City and the City's contractual and compliance obligations to timely file audit reports as required by agreements and regulations.

Non-Material Non-Compliance - Reporting

Finding 2020- 012 Electronic Municipal Market Access (EMMA) Compliance

Condition:

In connection with its debt obligations, the City did not timely file such annual financial information and operating data for the current year-end to the Municipal Securities Rulemaking Board pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule"), as amended, adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended.

Criteria:

The City undertook to provide annual filings of certain financial information and operating data of the City to the Electronic Municipal Market Access system 180 days after the close of the City's fiscal year-end.

Effect:

Non-Compliance with the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule"), as amended, adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended.

Recommendation:

We recommend that the City comply with the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule"), as amended, adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended by timely closing the books within 90 days of the fiscal year- end to facilitated the completion of the City's Audit by Mar 30 of each fiscal year-end.

Views of Responsible Officials: The City has filed the appropriate notices and the required annual audit report filing with the Municipal Securities Rulemaking Board via EMMA. Management agrees with the finding and is implementing procedures to correct this which is further discussed in the corrective action plan.

Corrective Action Plan: The following actions will be taken:

- Finance will endeavor to close the City books in a timely manner to facilitate the completion of the annual financial statement audit to allow for the submission of the audit report as required by EMMA.
- Finance will staff its department back to pre-covid19 levels.
- Finance will develop a formal calendar driven year-end books of accounting records closing schedule with a six month after fiscal year end completion date (March 31).

Material Non-Compliance - SEFA

Finding 2020-013 Federal Grant Report (Compliance Supplement)

Condition: The City did not submit its single audit reporting package related to the City's Federal Entitlement Grant requirements by the deadline required by rule 2 CFR section 200.512 (a) of the Federal Compliance Supplement.

Criteria: Rule 2 CFR section 200.512 (a) of the Federal Compliance Supplement require that the City complete and submit its single audit reporting package for fiscal year September 30, 2021 by the due dates of the earlier of 30 calendar days after receipt of the auditor's reports or within nine months (June 30, 2022) after the September 30, 2021 fiscal year-end.

Effect: Noncompliance with Rule 2 CFR section 200.512 (a) of the Federal Compliance Supplement.

Recommendation: We recommend that the City comply with the requirements of Rule 2 CFR section 200.512 (a) of the Federal Compliance Supplement by the due date of 30 calendar days after receipt of the auditor's reports or nine months (June 30) after the September 30 fiscal year-end by timely closing the City books of accounting within 90 days of the fiscal year-end to facilitated the completion of the City's Audit by Mar 30 of each fiscal year-end.

Views of Responsible Officials: Management agrees with the finding and is implementing procedures to correct this which is further discussed in the corrective action plan.

- **Corrective Action Plan:** The City has completed submitted its single audit reporting package for fiscal year September 30, 2021 as required by Rule 2 CFR section 200.512 (a) of the Federal Compliance Supplement. The Finance Department understands the reporting requirement. The Finance Department will endeavor to close the City books in a timely manner to facilitate the completion of the annual financial statement audit to allow for the submission of the audit report as required by rule 2 CFR section 200.512 (a) of the Federal Compliance Supplement.
- Finance will staff its department back to pre-covid19 levels.
- Finance will develop a formal calendar driven year-end books of accounting records closing schedule with a six month after fiscal year end completion date (March 31).

Responsible Party:

Alicia C. Fowlkes,
Principal Accountant
Finance Department

CITY OF BESSEMER , ALABAMA
SCHEDULE OF PRIOR YEAR AUDIT
FINDINGS *FOR THE YEAR ENDED*
SEPTEMBER 30, 2020

Finding 2020- 012 and Finding 2020-013 were reported for the year ended September 30, 20219.