

**CITY OF BESSEMER,  
ALABAMA  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2019  
ANNUAL FINANCIAL REPORT**

## **INTRODUCTORY SECTION**

# CITY OF BESSEMER, ALABAMA

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**CITY OF BESSEMER, ALABAMA  
LIST OF PRINCIPAL OFFICIALS  
AS OF SEPTEMBER 30, 2019**

**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

### **Report on the Financial Statements**

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, and the budgetary comparison for the General Fund of the City of Bessemer, Alabama (the "City"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **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.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Bessemer Public Library (blended component unit) and the Government Utilities Service Corporation (component unit), which represent 53 percent, (29) percent, and 12 percent, respectively, of the assets, net position, and revenues of the City.

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Government Utilities Service Corporation, is based solely on the report of the other auditor.

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

### **Auditors' Responsibility - Continued**

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Emphasis of Matter**

As discussed in Note 21 Subsequent Event, effective March 19, 2020, the City closed its lobby for at least five months and has temporarily required that some employees work remotely from home where possible. At this point, the City cannot reasonably estimate the duration and severity of this pandemic, which could have a material adverse impact on the City's business, results of operations, financial position and cash flows in the year ending September 30, 2019. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 21.

### **Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units**

The financial statements of the Bessemer Airport Authority (BAA) 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 10 percent, (26) percent, and 18 percent of the assets, net position, and revenues, respectively, of the City's aggregate discretely presented component units.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units" paragraph and based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of the City as of September 30, 2019, 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**

In our opinion, based on our audits 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, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2019, 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.

### **Other Matters**

#### *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 be presented to supplement the basic financial statements. Such information, 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, supplementary information and supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, and schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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.

The introductory section has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2021, on our consideration of the City'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'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's internal control over financial reporting and compliance.

***The Principal & Associates***

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

January 12, 2021

## **MANAGEMENT DISCUSSION AND ANALYSIS**



**CITY OF BESSEMER, ALABAMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2019**

**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, 2019. 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's governmental activities net position increased 5.2 million in fiscal year 2019.
- The City decreased its outstanding Warrants Payable by \$2.5 million in fiscal year 2019.
- The General Fund had an unassigned fund balance of \$10.5 million in 2019.
- 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, 2019, by \$42,760,626. Of this amount, \$67,368,519 is invested in capital assets, \$5,349,779 is restricted and a deficit of \$(115,478,924) is unrestricted.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$20,350,496.

**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



**CITY OF BESSEMER, ALABAMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2019**

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 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, 2019**

**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 27-28.

**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**

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 \$24,684,853 at the close of the most recent fiscal year.

**CONDENSED STATEMENT OF NET POSITION  
September 30, 2019 and 2018**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Total Component Units</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
	As Restated						
<b>Assets</b>							
Current and Other Assets	\$ 25,919,365	\$ 25,170,619	\$ 38,573,742	\$ 46,755,109	\$ 64,489,107	\$ 71,925,728	\$ 4,652,154
Capital Assets (Net)	<u>67,622,870</u>	<u>67,873,380</u>	<u>39,588,568</u>	<u>51,347,316</u>	<u>107,211,438</u>	<u>119,220,696</u>	<u>35,907,349</u>
Total Assets	<u>93,538,235</u>	<u>93,043,999</u>	<u>78,162,310</u>	<u>98,102,425</u>	<u>171,700,545</u>	<u>191,146,424</u>	<u>40,559,503</u>
Deferred Outflows	<u>16,390,155</u>	<u>18,003,674</u>	<u>3,025,486</u>	<u>3,353,359</u>	<u>19,955,641</u>	<u>21,357,033</u>	<u>1,482,475</u>
<b>Liabilities</b>							
Current Liabilities	9,755,055	8,597,327	19,520,222	25,069,302	29,275,277	33,666,629	2,587,881
Long-Term Liabilities	<u>134,323,805</u>	<u>145,653,517</u>	<u>55,902,345</u>	<u>52,405,356</u>	<u>190,226,150</u>	<u>198,058,873</u>	<u>51,876,116</u>
Total Liabilities	<u>144,078,860</u>	<u>154,250,844</u>	<u>75,422,567</u>	<u>77,474,658</u>	<u>219,501,427</u>	<u>231,725,502</u>	<u>54,463,997</u>
Deferred Inflows	<u>9,150,156</u>	<u>5,028,899</u>	<u>1,050,027</u>	<u>433,909</u>	<u>10,200,183</u>	<u>5,462,808</u>	<u>32,930</u>
<b>Net Position</b>							
Invested in Capital Assets	67,368,390	12,201,906	13,059,637	24,959,438	80,428,156	37,161,344	(17,258,445)
Restricted	5,349,779	5,916,081	14,695,562	14,166,629	20,045,341	20,082,710	2,595,681
Unrestricted	<u>(115,478,924)</u>	<u>(66,350,057)</u>	<u>(23,039,997)</u>	<u>(15,578,850)</u>	<u>(138,518,921)</u>	<u>(81,928,907)</u>	<u>2,207,815</u>
Total Net Position	<u>\$ (42,760,626)</u>	<u>\$ (48,232,070)</u>	<u>\$ 23,547,217</u>	<u>23,547,217</u>	<u>\$ (38,045,424)</u>	<u>\$ (24,684,853)</u>	<u>\$ (12,454,949)</u>



**CITY OF BESSEMER, ALABAMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2019**

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 net position increased by \$8,862,140 during the fiscal year ended September 30, 2019.

**CONDENSED STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION  
For the years ended September 30, 2019 and 2018**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Total Component Units</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
<b>Revenues</b>							
Program Revenues:							
Charges for Services	\$ 1,762,374	\$ 7,753,773	\$ 56,506,011	\$ 54,295,575	\$ 58,268,385	\$ 62,049,348	\$ 9,185,971
Operating Grants	1,728,267	1,063,555	-	-	1,728,267	1,063,555	210,417
Capital Grants	1,250,202	6,446,324	-	-	1,250,202	6,446,324	-
General Revenues:							
Property Taxes	9,599,058	8,160,333	-	-	9,599,058	8,160,333	-
Sales Taxes	35,180,360	32,518,853	-	-	35,180,360	32,518,853	-
Occupational Taxes	6,768,191	6,825,211	-	-	6,768,191	6,825,211	-
Investment Earnings	135,434	57,581	153	161,890	135,587	219,471	57,297
Other	<u>9,627,492</u>	<u>6,251,218</u>	<u>(1,035,808)</u>	<u>276,997</u>	<u>8,591,684</u>	<u>6,528,215</u>	<u>63,419</u>
<b>Total Revenues</b>	<b><u>66,051,378</u></b>	<b><u>69,076,848</u></b>	<b><u>55,470,356</u></b>	<b><u>54,734,462</u></b>	<b><u>121,521,734</u></b>	<b><u>123,811,310</u></b>	<b><u>9,517,104</u></b>
<b>Expenses</b>							
Governmental Activities:							
General Government	17,406,854	14,523,297	-	-	17,406,854	14,523,297	-
Public Improvements	8,578,726	12,886,456	-	-	8,578,726	12,886,456	-
Public Safety	24,664,946	29,151,941	-	-	24,664,946	29,151,941	-
Cultural and Recreation	7,331,062	5,351,655	-	-	7,331,062	5,351,655	-
Interest on Long-Term Debt and Capital Lease	2,779,187	2,750,885	-	-	2,779,184	2,750,885	-
Business-Type Activities:							
Electric	-	-	33,162,667	33,900,796	33,162,667	33,900,796	-
Water	-	-	18,426,209	19,279,759	18,426,209	19,279,759	-
Civic Center	-	-	309,946	467,243	309,946	467,243	-
Component Units Activities:							
GUSC	-	-	-	-	-	-	6,799,521
Bessemer Airport Authority	-	-	-	-	-	-	<u>1,826,957</u>
<b>Total Expenses</b>	<b><u>60,760,772</u></b>	<b><u>64,664,234</u></b>	<b><u>51,898,822</u></b>	<b><u>53,647,798</u></b>	<b><u>112,659,594</u></b>	<b><u>118,312,032</u></b>	<b><u>8,626,478</u></b>
<b>Change in Net Position</b>	<b>5,290,606</b>	<b>4,412,614</b>	<b>3,571,534</b>	<b>1,086,664</b>	<b>8,862,140</b>	<b>5,499,278</b>	<b>890,626</b>
<b>Beginning Net Position</b>	<b>(48,232,070)</b>	<b>(31,855,749)</b>	<b>23,547,217</b>	<b>36,281,439</b>	<b>(24,684,853)</b>	<b>4,425,690</b>	<b>(13,345,575)</b>
<b>Prior Period Adjustment</b>	<b>(180,838)</b>	<b>(20,788,935)</b>	<b>(22,403,549)</b>	<b>(13,820,886)</b>	<b>(22,222,711)</b>	<b>(34,609,821)</b>	<b>-</b>
<b>Ending Net Position</b>	<b>\$ (42,760,626)</b>	<b>\$ (48,232,070)</b>	<b>\$ 4,715,202</b>	<b>\$ 23,547,217</b>	<b>\$ (38,045,424)</b>	<b>\$ (24,684,853)</b>	<b>\$ (12,454,949)</b>

**CITY OF BESSEMER, ALABAMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2019**

**Governmental Activities**

Governmental activities increased the City's net position by \$5,290,606. Total revenues were The City's budget for the year ended September 30, 2019, allowed for an increase in the City's net position using assigned funds on hand of \$1,036,000 from the previous year. Total 2019 operating expensed decreased \$3.9 million over 2018 operating expenses.

**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 resouces for particular purposes helps the reader to determine the City's accountability for these resources whether provided by tapayers 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, 2019, are as follows:

**Governmental Funds  
Fund Balances  
As of September 30, 2019, and 2018**

	<b>Fund Balance 2018</b>	<b>Increase (Decrease)</b>	<b>Fund Balance 2019</b>
General Fund	\$ 15,176,206	\$ 15,350	\$ 15,000,717
Capital Projects Fund	338	-	338
Special Revenue	4,947,843	(411,695)	4,536,148
Debt Service	<u>659,030</u>	<u>154,082</u>	<u>813,293</u>
Total Fund Balance	\$ <u>20,783,417</u>	\$ <u>242,082</u>	\$ <u>20,350,496</u>

**Proprietary Funds  
Net Position  
As of September 30, 2019, and 2018**

	<b>Net Position 2018</b>	<b>Increase (Decrease)</b>	<b>Net Position 2019</b>
Electric	\$ 12,591,713	\$ (358,449)	\$ 13,617,327
Water	(11,400,714)	3,951,177	(8,435,721)
Civic Center	<u>(445,210)</u>	<u>(21,194)</u>	<u>(466,404)</u>
Total Net Position	\$ <u>23,547,217</u>	\$ <u>3,571,534</u>	\$ <u>4,715,202</u>

**CITY OF BESSEMER, ALABAMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2019**

**Budget Variances in  
General Fund Budget  
For Year Ended September 30, 2019**

	<u><b>Budget</b></u>	<u><b>Actual</b></u>	<u><b>Variance</b></u>
Assigned Funds on Hand	\$ 1,036,000	\$ -	\$(1,036,000)
Revenues	<u>56,926,233</u>	<u>57,832,885</u>	<u>906,652</u>
Total	57,962,232	57,832,885	
Expenditures	<u>57,962,232</u>	<u>57,158,614</u>	<u>803,619</u>
Excess of Revenue Over/Under	-	674,271	674,271
Other Financing Sources/Uses	-	(658,921)	(658,921)
<b>Net Change in Fund Balance</b>	<b>\$ <u>-</u></b>	<b>\$ <u>15,350</u></b>	<b>\$ <u>15,350</u></b>

During the 2019 fiscal year, there was a \$15,350 variance in revenue and expenditures between actual and the final budget as amended. The following are the main components of the variance:

The use of assigned funds on hand as of October 1, 2018, accounts for \$1,036,000 of the net change in actual fund balance and the variance to budget.

The Library is reported as a blended component unit of the City's general fund. The Library does not have a budget presented for the fiscal year 2019. The Library fund accounts for a decrease \$17,962 of the net change in actual fund balance and the variance to budget.

Actual revenues were greater than budgeted revenues by \$906,652. The cash bond, property insurance reimbursements, and library revenues do not have budgeted amounts, however the revenues are presented in the general fund resulting in actual revenues exceeding total budgeted revenues for the fund.

Actual expenditures were less than budgeted expenditures by \$803,618. The Municipal Court's nonpersonnel expenditures and the Library expenditures do not have budgeted amounts, however the expenditures are presented in the general fund resulting in actual expenditures exceeding total budgeted expenditures for the fund.



**CITY OF BESSEMER, ALABAMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2019**

**CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY**

**Capital Assets Activity**

The City's investment in capital assets as of September 30, 2019, amounts to \$67,622,870 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, 2019 and 2018**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 1,325,177	\$ 1,325,177	\$ 371,854	\$ 371,854	\$ 1,697,031	\$ 1,697,031
Construction in Progress	1,963,488	6,131,080	2,632,962	225,631	4,596,450	6,356,711
Property Held for Sale	256,552	256,552	-	256,552	256,552	256,552
Buildings and Capital Facilities	35,690,336	35,690,336	5,056,615	5,027,498	40,746,951	40,717,834
Furniture and Fixtures	21,425,665	20,872,912	8,063,742	7,800,351	29,489,407	28,673,263
Plant Equipment	-	-	72,220,773	85,148,509	72,220,773	85,148,509
Infrastructure	<u>39,751,855</u>	<u>33,461,038</u>	<u>-</u>	<u>-</u>	<u>33,751,855</u>	<u>33,461,038</u>
<b>Total Capital Assets</b>	<b>\$ 100,413,073</b>	<b>\$ 97,737,095</b>	<b>\$ 88,345,946</b>	<b>\$ 98,573,843</b>	<b>\$ 188,759,019</b>	<b>\$ 196,310,938</b>
Less: Accumulated Depreciation	<u>(32,790,203)</u>	<u>(29,863,715)</u>	<u>(48,757,378)</u>	<u>(47,226,527)</u>	<u>(81,547,581)</u>	<u>(77,090,242)</u>
<b>Net Capital Assets</b>	<b>\$ <u>67,622,870</u></b>	<b>\$ <u>67,873,380</u></b>	<b>\$ <u>39,588,568</u></b>	<b>\$ <u>51,347,316</u></b>	<b>\$ <u>107,211,438</u></b>	<b>\$ <u>119,220,696</u></b>

**Long-Term Debt Activity**

**OUTSTANDING DEBT  
September 30, 2019 and 2018**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Warrants Payable	\$ 60,064,459	\$ 62,589,801	\$ 37,294,070	38,268,423	\$ 97,358,529	\$ 100,858,224
Capital Leases	254,351	375,838	184,009	225,888	438,360	601,726
OPEB Liability	23,074,255	31,563,312	6,003,541	2,069,975	29,077,796	33,633,287
Net Pension Obligation	47,781,148	47,496,405	10,382,149	10,320,277	58,163,297	57,816,682
Compensated Absences	6,711,891	7,199,766	1,608,071	1,341,105	8,319,962	8,540,871
Other	<u>266,845</u>	<u>266,845</u>	<u>-</u>	<u>-</u>	<u>266,845</u>	<u>266,845</u>
<b>Total Outstanding Debt</b>	<b>\$ <u>138,152,949</u></b>	<b>\$ <u>149,491,967</u></b>	<b>\$ <u>55,471,840</u></b>	<b>\$ <u>52,225,668</u></b>	<b>\$ <u>193,624,789</u></b>	<b>\$ <u>201,717,635</u></b>

**CITY OF BESSEMER, ALABAMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2019**

**Economic Factors Affecting the City of Bessemer and the 2019 Budget and Debt Information**

The city of Bessemer maintained strong economic trends at the conclusion of 2019.

Amazon began construction on the state of Alabama's first Robotics Fulfillment Center on Powder Plant Road in Bessemer. The 800,000-square-foot facility is expected to open in spring 2020 and will employ a minimum of 1,500. The \$325 million facility is the single largest investment in the city of Bessemer. It is expected to spur additional economic growth in the city.

Carvana followed on the heels of Amazon's selection of Bessemer by announcing it plans to build a \$40 million distribution center on Morgan Road. The facility is slated to open in the fourth quarter of 2020 or the first quarter of 2021 and employ approximately 400 employees with starting wages of around \$14 an hour.

The two new investments – on top of multi-million dollar investments from the likes of Milo's Tea, Steyr Arms, BLOX and Dollar General – has caused an uptick in the number of employed persons working in Bessemer and the number of Bessemer residents with employment opportunities. The number of persons employed in various occupations in Bessemer has risen from 16,199 in 2010 to 18,368 in 2019, according to data provided by the Birmingham Business Alliance. This is an increase of 13 percent in the city's workforce.

Additionally, the unemployment rate at the end of 2019 stood at 3.7 percent, according to the Alabama Department of Labor. The overall median household income in Bessemer is \$31,160 and the median home value is \$83,500, according to the U.S. Census Bureau.

The industrial expansions in Bessemer are having a reciprocal affect in other areas. The Bessemer Airport Authority began construction on a 10-unit hangar project which will expand its capacity to accommodate corporate aircraft. Airport recruitment has resulted in higher fuel sales at the Airport. Kinematrix, LLC, a small engineering company that develops and manufactures avionic equipment among other projects for the Department of Defense, announced it was moving its operations from Tupelo, Miss. to Bessemer.

The city of Bessemer issued commercial building permits for projects totaling \$84 million in 2010. The department issued permits for residential projects that total \$7.1 million in 2019.

The Census Tract that includes Downtown Bessemer, the city's Downtown Historic District and a portion of the U.S. 11 Corridor 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 designation has created some renewed interest in the downtown area, including a proposal by the Milwaukee-based Scott Crawford, Inc. The developers have proposed a \$12 million project to renovate the city's former City Hall building into a mixed-use development to attract residential living to the city's Downtown Commercial and Institutional districts. In addition, a proposal has been floated to renovate the former Lincoln Theater, a shuttered African-American movie house on First Avenue North, to help spur arts and entertainment options in the Downtown.

The city of Bessemer anticipates continued economic growth in 2020 and will continue to explore partnerships and proposals to recruit and attract additional jobs and industry to the city. Bessemer continues to be a business-friendly city with great prospects for the future.



**CITY OF BESSEMER, ALABAMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2019**

**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 2019 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 2018-2019 was passed for \$57.9 million dollars.

**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, 2019, amounted to \$67,622,870, 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 \$67 million at the end of fiscal year 2019. Long-term debt includes warrants payable, capital lease payable, and compensated absences. The City decreased its governmental activities long-term debt by \$3.1 million during fiscal year 2019.

**Bessemer Utilities – Electric**

During fiscal year 2019, management of Bessemer Electric continued plans to strengthen its infrastructure for the upcoming years.

Management has also continued its incorporation of its minimum cash reserve policy. This policy has been incorporated in an effort to help maintain financial flexibility. As such, the intended "management restricted" reserves were set aside for: annual debt service expenditures, and electric system contingencies, if necessary. The electric system contingency reserves may be updated and reviewed by management and the Mayor annually. The remaining unrestricted net position may be used to meet Electric Service's ongoing obligations.

In retrospect, Bessemer Electric's continued goal, despite economic obstacles, its history of turbulent storms, and the loss of a major industrial customer and phased infrastructure upgrades; is to help our customer base continue in its move toward a stronger, energy efficient, and better prepared electric customer.

**Bessemer Utilities – Water**

During fiscal year 2019, 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 associated to the efficiency and safety of its infrastructure. Bessemer Water has included in its 2020 budget, scheduled tank improvements as per its tank repair/maintenance plan. Other projected 2020 plans include the completion of (a) a new water tank on 15<sup>th</sup> 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.

**CITY OF BESSEMER, ALABAMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2019**

Management continues to stress in-house efficiency adjustments in the upcoming fiscal year. Bessemer Water Service anticipates continued business investment for the area. In addition, as we advance through the fiscal year, we will remain cautious for conditions that may affect our infrastructure and economics as a water utility.

Furthermore, management continues the application of the consumer price index as a guide for customer rates and continues to assess technological counter savings for its cost factors.

**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 Director, Kela Pryor, City of Bessemer, 1700 Third Avenue North, Bessemer, Alabama 35020.

## **BASIC FINANCIAL STATEMENTS**



**THE CITY OF BESSEMER, ALABAMA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2019**

	<b>Governmental Activities</b>	<b>Business - Type Activities</b>	<b>Total</b>	<b>Component Units</b>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 17,048,940	\$ 13,734,109	\$ 30,783,049	\$ 717,523
Cash and cash equivalents - Restricted	813,631	14,749,802	15,563,433	3,279,178
Accounts Receivable				
Accounts	4,560,469	6,835,783	11,396,252	529,541
Loans Receivable	1,627,450		1,627,450	
Due from Proprietary Funds	543,899	2,308,501	2,852,400	
Due from Other Governments	372,274		372,274	
Inventories	252,773	837,295	1,090,068	45,164
Prepaid Expenses	236,365	108,252	344,617	80,748
<b>Total Current Assets</b>	<b>25,455,801</b>	<b>38,573,742</b>	<b>64,029,543</b>	<b>4,652,154</b>
<b>Noncurrent Assets</b>				
Capital assets:				
Nondepreciable				
Land	1,325,177	371,854	1,697,031	3,073,353
Property Held for Resale	256,552		256,552	
Construction in Progress	1,963,488	2,632,962	4,596,450	323,383
Depreciated				
Building and Capital Facilities	35,690,336	85,341,130	121,031,466	50,475,488
Furniture and Other Equipment	21,425,665		21,425,665	1,234,219
Infrastructure	39,751,855		39,751,855	1,797,802
Accumulated Depreciation	(32,790,203)	(48,757,378)	(81,547,581)	(20,996,896)
<b>Total Capital Assets</b>	<b>67,622,870</b>	<b>39,588,568</b>	<b>107,211,438</b>	<b>35,907,349</b>
Other Assets				
Deferred Loans Receivable	459,564		459,564	
<b>Total NonCurrent Assets</b>	<b>68,082,434</b>	<b>39,588,568</b>	<b>107,671,002</b>	<b>35,907,349</b>
<b>Total Assets</b>	<b>93,538,235</b>	<b>78,162,310</b>	<b>171,700,545</b>	<b>40,559,503</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflows Related to Pension Liability	9,339,017	1,523,512	10,862,529	168,779
Deferred Outflows Related to OPEB Liability	1,326,794	245,949	1,572,743	-
Deferred Charge on refunding of Debt	1,687,405	1,256,025	2,943,430	1,313,696
Deferred charge on Acquisition	4,576,939		4,576,939	-
<b>TOTAL OUTFLOWS OF RESOURCES</b>	<b>16,930,155</b>	<b>3,025,486</b>	<b>19,955,641</b>	<b>1,482,475</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>110,468,390</b>	<b>81,187,796</b>	<b>191,656,186</b>	<b>42,041,978</b>

See independent auditors' report and notes to financial statements.

**THE CITY OF BESSEMER, ALABAMA**  
**STATEMENT OF NET POSITION - CONTINUED**  
**SEPTEMBER 30, 2019**

**LIABILITIES**

**Current Liabilities**

Account payable	4,270,068	12,645,445	16,915,513	319,780
Accrued payroll and payroll taxes payable	1,294,801		1,294,801	
Accrued interest	361,042		361,042	767,570
Due to other funds		5,624,019	5,624,019	
Other liabilities			-	32,160
Current Maturities of Long-term liabilities:				
Compensated absences	1,073,903	257,291	1,331,194	
Capital lease payable	125,241	43,467	168,708	
Bonds and Warrants payable	2,630,000	950,000	3,580,000	1,468,371
<b>Total Current Liabilities</b>	<u>9,755,055</u>	<u>19,520,222</u>	<u>29,275,277</u>	<u>2,587,881</u>

**Noncurrent Liabilities**

Capital lease payable	129,110	138,954	268,064	
OPEB liability	23,074,255	6,003,541	29,077,796	178,693
Net Pension obligation	47,781,148	10,382,149	58,163,297	
Compensated absences	5,637,988	1,350,780	6,988,768	
Bonds and Warrants payable	57,434,459	36,344,070	93,778,529	51,697,423
Closure and postclosure costs	266,845		266,845	
Other liabilities	-	1,682,851	1,682,851	
<b>Total Noncurrent Liabilities</b>	<u>134,323,805</u>	<u>55,902,345</u>	<u>190,226,150</u>	<u>51,876,116</u>
<b>Total Liabilities</b>	<u>144,078,860</u>	<u>75,422,567</u>	<u>219,501,427</u>	<u>54,463,997</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows Related to Pension Liability	2,341,732	508,825	2,850,557	32,930
Deferred Inflows Related to OPEB Liability	6,808,424	541,202	7,349,626	
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>9,150,156</u>	<u>1,050,027</u>	<u>10,200,183</u>	<u>32,930</u>

**TOTAL LIABILITIES AND DEFERRED  
INFLOWS OF RESOURCES**

<u>153,229,016</u>	<u>76,472,594</u>	<u>229,701,610</u>	<u>54,496,927</u>
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**NET POSITION**

Invested in capital assets, net of related debt	67,368,519	13,059,637	80,428,156	(17,258,445)
Restricted for:				
Debt service	813,293	14,695,562	15,508,855	2,595,681
Capital projects	338		338	
Community development loans	2,094,209		2,094,209	
Special projects	2,441,939		2,441,939	
Unrestricted	(115,478,924)	(23,039,997)	(138,518,921)	2,207,815
<b>Total Net Position</b>	<u>(42,760,626)</u>	<u>4,715,202</u>	<u>(38,045,424)</u>	<u>(12,454,949)</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 110,468,390</u>	<u>\$ 81,187,796</u>	<u>\$ 191,656,186</u>	<u>\$ 42,041,978</u>

See independent auditors' report and notes to financial statements.

**THE CITY OF BESSEMER, ALABAMA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

ACTIVITIES:	Expenses	PROGRAMS REVENUES			Net (Expense) Revenues and Changes in Net Position	Business - Type Activities	Total	Component Unit
		Fines, Fees, and Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities			
Governmental Activities:								
General Government	17,406,854	81,001	891,767	-	(16,434,086)		(16,434,086)	
Law enforcement	14,361,034	709,159	804,186	271,369	(12,576,320)		(12,576,320)	
Fire department	10,303,912	4,800	-		(10,299,112)		(10,299,112)	
Public Improvements	8,578,726	114,926	-	978,833	(7,484,967)		(7,484,967)	
Health, welfare, and public services	3,740,620		32,314		(3,708,306)		(3,708,306)	
Recreation	3,590,442	852,488			(2,737,954)		(2,737,954)	
Interest on long-term debt	2,779,184				(2,779,184)		(2,779,184)	
Total government activities	60,760,772	1,762,374	1,728,267	1,250,202	(56,019,929)	-	(56,019,929)	
Business - Type Activities:								
Civic Center	309,946	288,599		-	(21,347)	(21,347)	(21,347)	
Electric Service	33,162,667	33,840,026		-	677,359	677,359	677,359	
Water Service	18,426,209	22,377,386		-	3,951,177	3,951,177	3,951,177	
Total Business - Type Activities	51,898,822	56,506,011	-	-	4,607,189	4,607,189	4,607,189	
Total Primary Government Activities	112,659,594	58,268,385	1,728,267	1,250,202	(56,019,929)	4,607,189	(51,412,740)	
Component Units								
Government Utility Service Corporation	6,799,521	7,543,866		14,796				759,141
Bessemer Airport Authority	1,826,957	1,642,105		195,621				10,769
	8,626,478	9,185,971	-	210,417				769,910
General Revenues								
Sales and use taxes					35,180,360		35,180,360	
Occupational tax					6,768,191		6,768,191	
Real and personal property tax					9,599,058		9,599,058	
Other taxes					2,675,456		2,675,456	
Business license and permits					4,623,914		4,623,914	
Franchise fees					245,560		245,560	
Other income					1,089,046	153	1,089,199	3,419
City Allocation					-		-	60,000
Unrestricted investment earnings					135,434		135,434	57,297
Transfers					1,035,808	(1,035,808)	-	
Loss on disposal of assets					(42,292)		(42,292)	
Total General Revenues					61,310,535	(1,035,655)	60,274,880	120,716
Change in Net Position					5,290,606	3,571,534	8,862,140	890,626
Net Position -Beginning					(48,232,070)	23,547,217	(24,684,853)	(13,345,575)
Prior Period Adjustment					180,838	(21,961,288)	(21,780,450)	
Restatement						(442,261)	(442,261)	
Net Position - Ending					(42,760,626)	4,715,202	(38,045,424)	(12,454,949)



**THE CITY OF BESSEMER, ALABAMA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2019**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Totals Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 13,331,498		\$ 3,717,442	\$ 17,048,940
Cash with Escrow Agents		\$ 813,293	338	813,631
Accounts Receivable	4,023,780		536,689	4,560,469
Loans Receivable			1,627,450	1,627,450
Due from Other Funds	1,759,931		203,973	1,963,904
Due from Proprietary Funds	543,899			543,899
Due from Other Governments	372,274			372,274
Inventory	252,773			252,773
Prepaid Expenses	236,365			236,365
Deferred Loans Receivable	-		459,564	459,564
Total Assets	<u>20,520,520</u>	<u>813,293</u>	<u>6,545,456</u>	<u>27,879,269</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts and Vouchers Payable	4,048,980		221,088	4,270,068
Accrued Payroll and Payroll Taxes Payable	1,294,801			1,294,801
Due to Other Funds and Governments	176,022		1,787,882	1,963,904
Total Liabilities	<u>5,519,803</u>	<u>-</u>	<u>2,008,970</u>	<u>7,528,773</u>
<b>Fund Balances</b>				
Nonspendable	489,138			489,138
Restricted		813,293	4,536,486	5,349,779
Committed	2,928,178			2,928,178
Assigned	1,089,539			1,089,539
Unassigned	10,493,862			10,493,862
Total fund balance	<u>15,000,717</u>	<u>813,293</u>	<u>4,536,486</u>	<u>20,350,496</u>
Total Liabilities and Fund Balances	<u>\$ 20,520,520</u>	<u>\$ 813,293</u>	<u>\$ 6,545,456</u>	<u>\$ 27,879,269</u>

See independent auditors' report and notes to financial statements.

**THE CITY OF BESSEMER, ALABAMA**  
**RECONCILIATION OF THE BALANCE SHEET OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2019**

Total fund balances-governmental funds \$ 20,350,496

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	1,963,488	
Buildings and capital facilities	35,690,336	
Furniture and fixtures	21,425,665	
Infrastructure	39,751,855	
Accumulated depreciation	<u>(32,790,203)</u>	
Total capital assets		67,622,870

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, 2019 were:

Warrants payable	60,465,000	
Unamortized premium	19,449	
Unamortized discount	(419,990)	
Deferred charge on refunding of debt	(1,687,405)	
Deferred charge on acquisition	(4,576,939)	
Accrued Interest	361,042	
Closure and postclosure costs	266,845	
Net pension obligation	47,781,148	
Deferred outflow related to pension liability	(9,339,017)	
Deferred inflow related to pension liability	2,341,732	
OPEB liability	23,074,255	
Deferred outflow related to OPEB liability	(1,326,794)	
Deferred inflow related to OPEB liability	6,808,424	
Compensated absences	6,711,891	
Capital lease payable	<u>254,351</u>	
Total long-term liabilities		<u>(130,733,992)</u>

Net position of governmental activities \$ (42,760,626)

See independent auditors' report and notes to financial statements.

**THE CITY OF BESSEMER, ALABAMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals Governmental Funds</u>
<b>REVENUES:</b>				
Taxes	\$ 50,178,590	\$ 2,235,244	1,765,494	\$ 54,179,328
License and permits	4,623,914			4,623,914
Grants and intergovernmental	1,383,797		1,891,626	3,275,423
Charges and fees for services	1,090,715		671,659	1,762,374
Franchise fees	245,560			245,560
Investment Income	113,454	21,980		135,434
Other	196,855		638,974	835,829
Total Revenues	<u>57,832,885</u>	<u>2,257,224</u>	<u>4,967,753</u>	<u>65,057,862</u>
<b>EXPENDITURES:</b>				
Current operations:				
General government	13,187,779		1,747,346	14,935,125
Law enforcement	13,846,328		1,241,536	15,087,864
Fire protection	10,987,274			10,987,274
Public Improvement	9,758,814		-	9,758,814
Health, welfare, and public services	3,740,620		-	3,740,620
Recreation	3,816,907		-	3,816,907
Capital outlay	1,687,792		1,256,388	2,944,180
Debt Service:				
Principal payments	121,487	2,565,000		2,686,487
Interest and fiscal charges	11,613	2,366,868		2,378,481
Total Expenditures	<u>57,158,614</u>	<u>4,931,868</u>	<u>4,245,270</u>	<u>66,335,752</u>
Excess of Revenues Over (Under)				
Expenditures	<u>674,271</u>	<u>(2,674,644)</u>	<u>722,483</u>	<u>(1,277,890)</u>
<b>OTHER FINANCING SOURECES (USES)</b>				
Transfers in	1,035,808	2,828,907	543,500	4,408,215
Transfers out	(1,694,729)		(1,677,678)	(3,372,407)
Proceeds from short-term borrowings				-
Total other financing Sources (Uses)	<u>(658,921)</u>	<u>2,828,907</u>	<u>(1,134,178)</u>	<u>1,035,808</u>
<b>Net Change in Fund Balances</b>	<u>15,350</u>	<u>154,263</u>	<u>(411,695)</u>	<u>(242,082)</u>
<b>Fund Balance -Beginning</b>	15,176,206	659,030	4,948,181	20,783,417
<b>Prior Period Adjustment</b>	(190,839)			(190,839)
<b>Fund Balance - Ending</b>	<u>\$ 15,000,717</u>	<u>\$ 813,293</u>	<u>\$ 4,536,486</u>	<u>\$ 20,350,496</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, 2019**

Net change in fund balances-total governmental funds	\$ (242,082)
Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Position.	2,944,180
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.	(3,152,398)
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	2,565,000
Capital leases payable	<u>121,487</u>
Total repayments	2,686,487
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	(48,974)
Amortization of bond premium	9,313
Amortization of deferred charge on debt refunding	(235,008)
Amortization of deferred charge on acquisition of District and CDA	(794,812)
The sale and disposal of capital assets.	(42,292)
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	(361,042)
Change in net pension obligation	4,661,510
Change in net OPEB obligation	(622,151)
Change in post closure costs	-
Compensated absences	<u>487,875</u>
Change in net position governmental activities	<u>\$ 5,290,606</u>

See independent auditors' report and notes to financial statements.



**THE CITY OF BESSEMER, ALABAMA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2019**

	<b>Bessemer Electric Service</b>	<b>Bessemer Water Service</b>	<b>Civic Center</b>	<b>Total Proprietary Funds</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash on deposit	\$ 8,697,771	\$ 4,958,462	\$ 77,876	\$13,734,109
Cash on deposit - restricted	1,797,321	2,044,586		3,841,907
Certificate of deposit - restricted	54,240			54,240
Investments - restricted	-	10,853,655		10,853,655
Accounts receivable	5,432,762			5,432,762
Merchandising, jobbing, and other receivables		1,403,021		1,403,021
Due from other funds	443,719	1,864,782		2,308,501
Materials and supplies	321,595	515,700		837,295
Prepaid expenses	100,111	8,141		108,252
Total current assets	<u>16,847,519</u>	<u>21,648,347</u>	<u>77,876</u>	<u>38,573,742</u>
<b>CAPITAL ASSETS</b>				
Land held for future use	291,359	80,495	-	371,854
Construction in progress	273,563	2,359,399		2,632,962
Building and capital facilities	46,176,914	35,351,622	3,812,594	85,341,130
Less accumulated depreciation	(23,986,295)	(20,958,489)	(3,812,594)	(48,757,378)
<b>TOTAL CAPITAL ASSETS, NET</b>	<u>22,755,541</u>	<u>16,833,027</u>	<u>-</u>	<u>39,588,568</u>
<b>TOTAL ASSETS</b>	<u>39,603,060</u>	<u>38,481,374</u>	<u>77,876</u>	<u>78,162,310</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pension liability	648,978	874,534		1,523,512
Deferred charge on refunding of debt	412,732	843,293		1,256,025
Deferred charge on other than pension benefits	100,722	145,227	-	245,949
	<u>1,162,432</u>	<u>1,863,054</u>	<u>-</u>	<u>3,025,486</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$40,765,492</u>	<u>\$ 40,344,428</u>	<u>\$ 77,876</u>	<u>\$81,187,796</u>

See independent auditors' report and notes to financial statements.



**THE CITY OF BESSEMER, ALABAMA**  
**STATEMENT OF NET POSITION - CONTINUED**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2019**

	<b>Bessemer Electric Service</b>	<b>Bessemer Water Service</b>	<b>Civic Center</b>	<b>Total Proprietary Funds</b>
<b>LIABILITIES AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued expenses	5,064,402	946,302	381	6,011,085
Payable to other municipalities		6,634,360		6,634,360
Current maturities of revenue warrants	450,000	500,000	-	950,000
Capital lease obligation	43,467		-	43,467
Compensated absences	119,873	137,418	-	257,291
Due to other funds	3,835,075	1,245,045	543,899	5,624,019
Total current liabilities	9,512,817	9,463,125	544,280	19,520,222
<b>OTHER LIABILITIES</b>				
Revenue warrants, less current portion	8,043,869	28,300,201		36,344,070
Capital lease obligation	138,954			138,954
Compensated absences	629,333	721,447		1,350,780
Customer deposits	1,682,851			1,682,851
Net pension obligations	4,251,737	6,130,412		10,382,149
OPEB liability	2,458,593	3,544,948		6,003,541
Other liabilities			-	-
Total other liabilities	17,205,337	38,697,008	-	55,902,345
<b>TOTAL LIABILITIES</b>	26,718,154	48,160,133	544,280	75,422,567
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pension liability	208,376	300,449		508,825
Deferred charge on other than pension benefits	221,635	319,567		541,202
<b>NET POSITION</b>				
Investment in capital assets, net of related debt	13,291,610	(231,973)	-	13,059,637
Restricted	1,797,321	12,898,241		14,695,562
Unrestricted (deficit)	(1,471,604)	(21,101,989)	(466,404)	(23,039,997)
Total Net Position	13,617,327	(8,435,721)	(466,404)	4,715,202
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$40,765,492</u>	<u>\$ 40,344,428</u>	<u>\$ 77,876</u>	<u>\$81,187,796</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, 2019**

	<b>Bessemer Electric Service</b>	<b>Bessemer Water Service</b>	<b>Civic Center</b>	<b>Total Proprietary Funds</b>
<b>OPERATING REVENUES</b>				
Service fees	\$33,647,389	\$ 22,325,636	\$ 288,599	\$56,261,624
Other	192,637	51,750		244,387
Total operating revenues	<u>33,840,026</u>	<u>22,377,386</u>	<u>288,599</u>	<u>56,506,011</u>
<b>OPERATING EXPENSES</b>				
Direct cost of services	25,332,011	7,306,461	297,047	32,935,519
Power and pumping		510,130		510,130
Distribution - operations and maintenance	3,167,548	5,047,978		8,215,526
Customer accounting and collection	1,157,960	1,028,623		2,186,583
Bad debt expense	167,473	127,671		295,144
Administrative and General	1,832,607	2,556,607		4,389,214
Depreciation expense	962,260	806,734	12,899	1,781,893
Tax Equivalents		200,621		200,621
Payroll taxes	200,046	238,435		438,481
Total operating expenses	<u>32,819,905</u>	<u>17,823,260</u>	<u>309,946</u>	<u>50,953,111</u>
<b>OPERATING INCOME</b>	<u>1,020,121</u>	<u>4,554,126</u>	<u>(21,347)</u>	<u>5,552,900</u>
<b>NONOPERATING INCOME (EXPENSES)</b>				
Interest income	41,685	246,902	153	288,740
Interest expense	(341,148)	(877,855)	-	(1,219,003)
Amortization of bond costs	(43,299)	28,004		(15,295)
Total nonoperation income (expenses)	<u>(342,762)</u>	<u>(602,949)</u>	<u>153</u>	<u>(945,558)</u>
Income before transfers	677,359	3,951,177	(21,194)	4,607,342
Transfers - out	<u>(1,035,808)</u>		<u>-</u>	<u>(1,035,808)</u>
<b>CHANGE IN NET POSITION</b>	<u>(358,449)</u>	<u>3,951,177</u>	<u>(21,194)</u>	<u>3,571,534</u>
<b>PRIOR PERIOD CORRECTION RESTATEMENT</b>	1,826,324 (442,261)	(23,787,612)		(21,961,288) (442,261)
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>12,591,713</u>	<u>11,400,714</u>	<u>(445,210)</u>	<u>23,547,217</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$13,617,327</u>	<u>\$ (8,435,721)</u>	<u>\$ (466,404)</u>	<u>\$ 4,715,202</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, 2019**

	<b>Bessemer Electric Service</b>	<b>Bessemer Water Service</b>	<b>Civic Center</b>	<b>Total Proprietary Funds</b>
<b>INCREASE (DECREASE) IN CASH ON DEPOSIT</b>				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 33,835,701	\$ 23,355,631	\$ 288,599	\$ 57,479,931
Cash payments to employees for services	(2,760,442)	(4,357,250)		(7,117,692)
Cash paid to suppliers for goods and services	(29,889,899)	(11,767,703)	(235,342)	(41,892,944)
Net cash provided by operating activities	<u>1,185,360</u>	<u>7,230,678</u>	<u>53,257</u>	<u>8,469,295</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal payments on warrants	(445,000)	(480,000)		(925,000)
Principal payments on capital lease	(41,879)			(41,879)
Interest paid	(338,488)	(911,445)	-	(1,249,933)
Net cash used by capital and related financing activities	<u>(825,367)</u>	<u>(1,391,445)</u>	<u>-</u>	<u>(2,216,812)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(1,635,615)	(6,330,985)		(7,966,600)
Investment in restricted accounts			-	-
Interest received	41,685	246,902	153	288,740
Net cash provided (used) by investing activities	<u>(1,593,930)</u>	<u>(6,084,083)</u>	<u>153</u>	<u>(7,677,860)</u>
<b>NET INCREASE (DECREASE) IN CASH ON DEPOSIT</b>	<u>(1,233,937)</u>	<u>(244,850)</u>	<u>53,410</u>	<u>(1,425,377)</u>
<b>CASH ON DEPOSIT AT BEGINNING OF THE YEAR</b>	<u>11,783,269</u>	<u>7,247,898</u>	<u>24,466</u>	<u>19,055,633</u>
<b>CASH ON DEPOSIT AT END OF THE YEAR</b>	<u>\$ 10,549,332</u>	<u>\$ 7,003,048</u>	<u>\$ 77,876</u>	<u>\$ 17,630,256</u>
<b>CASH ON DEPOSIT CONSISTED OF THE FOLLOWING:</b>				
Current assets	\$ 8,697,771	\$ 4,958,462	\$ 77,876	13,734,109
Restricted assets	1,851,561	2,044,586	-	3,896,147
Total	<u>\$ 10,549,332</u>	<u>\$ 7,003,048</u>	<u>\$ 77,876</u>	<u>\$ 17,630,256</u>

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, 2019**

	Bessemer Electric Service	Bessemer Water Service	Civic Center	Total Proprietary Funds
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
<b>OPERATING INCOME (LOSS)</b>	\$ 978,494	\$ 4,554,126	\$ (21,347)	\$ 5,511,273
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Depreciation	962,260	806,734	12,899	1,781,893
Bad debts	167,473	127,671		295,144
Changes in assets and liabilities:				
Accounts receivable	(2,396,158)	978,245		(1,417,913)
Prepaid expenses	159,183	(870)		158,313
Due from other funds	4,402,179	(591,586)		3,810,593
Inventories	(5,077)	(216,690)		(221,767)
Deferred outflows of pension resources	214,443	294,731		509,174
Deferred benefit outflows other than pension resources	(100,722)	(145,227)		(245,949)
Accrued interest payable	2,660	(4,300)		(1,640)
Accounts payable	(918,542)	(21,790)	285	(940,047)
Salaries and wages payable	(27,978)	(9,329)		(37,307)
Compensated Absences	153,103	113,863		266,966
Due to other funds	(4,616,208)	478,638	61,420	(4,076,150)
Customer Deposits	321,708			321,708
Payable to other municipalities		785,692		785,692
Net pension liability	25,338	36,534		61,872
Other employee pension benefits (OPEB) liability	1,610,889			1,610,889
Deferred benefit inflows than pension resources	221,635	-		221,635
Deferred inflows of pension resources	30,680	44,236		74,916
<b>Total adjustments</b>	<b>206,866</b>	<b>2,676,552</b>	<b>74,604</b>	<b>2,958,022</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 1,185,360</b>	<b>\$ 7,230,678</b>	<b>\$ 53,257</b>	<b>\$ 8,469,295</b>

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

Decrease in original debt discount cost	15,315	4,012
Decrease in original loss on refunding of debt	27,984	28,385
Decrease in original premium on debt issuance		(50,174)

See independent auditors' report and notes to financial statements.

**THE CITY OF BESSEMER, ALABAMA**  
**STATEMENT OF NET POSITION**  
**COMPONENT UNITS**  
**SEPTEMBER 30, 2019**

	<b>Governmental Utility Services Corp</b>	<b>Bessemer Airport Authority</b>	<b>Total Component Units</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and investments	\$ 129,312	\$ 588,211	\$ 717,523
Cash and investments - restricted	3,279,178		3,279,178
Accounts receivable, net allowance for uncollectible accounts	519,998	9,543	529,541
Inventory		45,164	45,164
Other current assets	62,904	17,844	80,748
Total current assets	<u>3,991,392</u>	<u>660,762</u>	<u>4,652,154</u>
<b>CAPITAL ASSETS</b>			
Land	639,576	2,433,777	3,073,353
Construction in progress	143,584	179,799	323,383
Building and capital facilities	48,893,266	1,582,222	50,475,488
Furniture and equipment	1,105,567	128,652	1,234,219
Infrastrure		1,797,802	1,797,802
Less accumulated depreciation	(18,221,102)	(2,775,794)	(20,996,896)
<b>TOTAL CAPITAL ASSETS, NET</b>	<u>32,560,891</u>	<u>3,346,458</u>	<u>35,907,349</u>
<b>TOTAL ASSETS</b>	<u>36,552,283</u>	<u>4,007,220</u>	<u>40,559,503</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension liability	168,779		168,779
Deferred charge on refunding of debt	1,313,696		1,313,696
	<u>1,482,475</u>	<u>-</u>	<u>1,482,475</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 38,034,758</u>	<u>\$ 4,007,220</u>	<u>\$ 42,041,978</u>

See independent auditors' report and notes to financial statements.

**THE CITY OF BESSEMER, ALABAMA**  
**STATEMENT OF NET POSITION - CONTINUED**  
**COMPONENT UNITS**  
**SEPTEMBER 30, 2019**

	<b>Governmental Utility Services Corp</b>	<b>Bessemer Airport Authority</b>	<b>Total Component Units</b>
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Accounts and vouchers payable	267,789	51,991	319,780
Accrued expenses	752,646	14,924	767,570
Unearned revenue		32,160	32,160
Current maturities of bonds and notes payable	1,420,000	48,371	1,468,371
Total current liabilities	<u>2,440,435</u>	<u>147,446</u>	<u>2,587,881</u>
<b>OTHER LIABILITIES</b>			
Net pension obligations	178,693		178,693
Bonds and notes payable, less current portion	51,028,156	669,267	51,697,423
Total other liabilities	<u>51,206,849</u>	<u>669,267</u>	<u>51,876,116</u>
<b>TOTAL LIABILITIES</b>	<u>53,647,284</u>	<u>816,713</u>	<u>54,463,997</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension liability	32,930	-	32,930
<b>NET POSITION</b>			
Investment in capital assets, net of related debt	(19,887,265)	2,628,820	(17,258,445)
Restricted	2,539,054	56,627	2,595,681
Unrestricted (deficit)	1,702,755	505,060	2,207,815
Total Net Position	<u>(15,645,456)</u>	<u>3,190,507</u>	<u>(12,454,949)</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 38,034,758</u>	<u>\$ 4,007,220</u>	<u>\$ 42,041,978</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, 2019**

				Net (Expense)	
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Revenues and Changes in Net Position
Government Utility Service Corporation	6,799,521	7,543,866		14,796	759,141
Bessemer Airport Authority	1,826,957	1,642,105		195,621	10,769
	8,626,478	9,185,971	-	210,417	769,910
<b>General Revenues</b>					
	Other income				3,419
	City Allocation				60,000
	Unrestricted investment earnings				57,297
	Transfers				-
	Loss on disposal of assets				-
	Total General Revenues				120,716
	Change in Net Position				890,626
	Net Position -Beginning				(13,345,575)
	Net Position - Ending				(12,454,949)



**THE CITY OF BESSEMER, ALABAMA  
REQUIRED SUPPLEMENTARY INFORMATION  
GENERAL FUND  
BUDGET TO ACTUAL  
STATEMENT OF REVENUES, EXPENDITURES, AND ENUMBRANCES  
FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	<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>
<b>FUNDS ON HAND</b>	\$ 2,006,153	\$ 2,006,153	\$ -	\$ (2,006,153)
<b>REVENUES:</b>				
Taxes	50,153,498	50,153,498	50,178,590	25,092
License and permits	4,513,200	4,513,200	4,623,914	110,714
Grants and intergovernmental	-	-	1,383,797	1,383,797
Charges and fees for services	1,858,235	1,858,235	1,090,715	(767,520)
Franchise fees	230,000	230,000	245,560	15,560
Investment income	7,500	7,500	113,454	105,954
Other	163,800	163,800	196,855	33,055
Total Revenues	56,926,233	56,926,233	57,832,885	906,652
<b>EXPENDITURES:</b>				
Current operations:				
General Government	16,077,765	16,077,765	13,187,779	2,889,986
Law enforcement	14,860,400	14,860,400	13,846,328	1,014,072
Fire protection	10,892,139	10,892,139	10,987,274	(95,135)
Public improvement	11,161,807	11,161,807	9,758,814	1,402,993
Health, welfare, and public services	1,482,393	1,482,393	3,740,620	(2,258,227)
Recreation	3,487,729	3,487,729	3,816,907	(329,178)
Capital outlay	-	-	1,687,792	(1,687,792)
Debt Service:				
Principal payments	-	-	121,487	(121,487)
Interest and fiscal charges	-	-	11,613	(11,613)
Total Expenditures	57,962,233	57,962,233	57,158,614	803,619
Excess of Revenues Over (Under) Expenditures	(1,036,000)	(1,036,000)	674,271	1,710,271
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,036,000		1,035,808	1,035,808
Transfers out			(1,694,729)	(1,694,729)
Proceeds from short-term borrowings				-
Total other financing Sources (Uses)	1,036,000		(658,921)	(658,921)
<b>Net Change in Fund Balances</b>	<u>\$ -</u>		<u>\$ 15,350</u>	<u>\$ 15,350</u>

See independent auditors' report and notes to financial statements.



## **CITY OF BESSEMER, ALABAMA**

### **Notes to the Financial Statements**

September 30, 2019

#### ***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, 2019, for the Electric Service Department and September 30, 2019, for the Water Service Department.

## **CITY OF BESSEMER, ALABAMA**

Notes to the Financial Statements

September 30, 2019

### ***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, 2019, for the Library may be obtained at the following administrative office:

Bessemer Public Library  
400 19<sup>th</sup> 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, 2019, 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, 2019

#### ***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, 2019

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.

#### ***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED***

##### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

###### Continued

Subsequent events were evaluated through January 12, 2021, the date the financial statements were available to be issued.

##### 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, 2019

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.

## **CITY OF BESSEMER, ALABAMA**

Notes to the Financial Statements

September 30, 2019

### ***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED***

#### Fund and Accounting Entity – Continued

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.

#### 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.



## CITY OF BESSEMER, ALABAMA

### Notes to the Financial Statements

September 30, 2019

#### ***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.

## CITY OF BESSEMER, ALABAMA

### Notes to the Financial Statements

September 30, 2019

#### ***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, 2019, totaled \$2,141,252.

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, 2019, totaled \$3,456,260.

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, 2019, totaled \$1,114,379.

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, 2019

### ***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, 2019

#### ***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, 2019

#### ***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 and Custodial Credit Risk

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.

##### Trustee Held Funds

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.

##### Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio outside of trustee held funds to less than ten months.



**CITY OF BESSEMER, ALABAMA**

## Notes to the Financial Statements

September 30, 2019

Concentration of Credit Risk

The City's investment policy does not allow investments outside of trustee held funds for investment in any one issuer that is in excess of five percent of the total investments. Investments in U.S. Treasury Reserves and other U.S. Treasury Obligations make up 100 percent of the City's investments.

**NOTE 3 – DEPOSITS IN FINANCIAL INSTITUTIONS– CONTINUED**

Investments (All within Trustee Held Funds)	<u>Credit Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
<b>Governmental Activities</b>			
Federated U.S. Treasury Reserves	AAAm, AAA	1-90 Days	\$ 813,631
Total			<u>\$ 813,631</u>

**Business - Type Activities**

Federated U.S. Treasury Reserves	AA+, AAA	Various	\$ 10,853,655
Total			<u>\$ 10,853,655</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.

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

Reported in Governmental Funds	\$ 17,862,571
Reported in Proprietary Funds	<u>28,483,911</u>
Total	<u>\$ 46,346,482</u>
Disclosed as Deposits	\$ 34,679,196
Disclosed as Investments	<u>11,667,286</u>
Total	<u>\$ 46,346,482</u>



**CITY OF BESSEMER, ALABAMA**  
Notes to the Financial Statements  
September 30, 2019

**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, 2019, the Electric Service customer receivables totaled approximately \$11,027,988 and the allowance for doubtful accounts was \$5,595,226

. At September 30, 2019, the Water Service customer receivables totaled approximately \$1,864,782 and the allowance for doubtful accounts was \$-0-.

**CITY OF BESSEMER, ALABAMA**  
Notes to the Financial Statements  
September 30, 2019

**NOTE 5 – CAPITAL ASSETS**

Capital assets activity for the year ended September 30, 2019, was as follows:

Capital assets activity for the year ended September 30, 2019, was as follows:

**Primary Government**

	9/30/2018			9/30/2019
	Beginning			Ending
	Balance	Increases	Decreases	Balance
<b>Government Activities</b>				
Capital Assets not being depreciated				
Land	\$ 1,325,177	\$ -	\$ -	\$ 1,325,177
Property held for resale	256,552			256,552
Construction in process	6,131,080	1,859,198	6,026,790	1,963,488
Total Capital Assets, not being depreciated	7,712,809	1,859,198	6,026,790	3,545,217
 Capital Assets				
Building and capital facilities	35,690,336	-	-	35,690,336
Office, non-office, and other equipment	20,872,912	820,955	268,202	21,425,665
Infrastructure	33,461,038	6,290,817	-	39,751,855
Total Capital Assets, being depreciated	90,024,286	7,111,772	268,202	96,867,856
 Less accumulated depreciation				
Building and capital facilities	4,271,479	729,039	-	5,000,518
Office, non-office, and other equipment	13,131,925	1,201,874	225,910	14,107,889
Infrastructure	12,460,311	1,221,485	-	13,681,796
Total accumulated depreciation	29,863,715	3,152,398	225,910	32,790,203
 Total Capital Assets being depreciated, net	60,160,571	3,959,374	42,292	64,077,653
 Governmental activity capital assets, net	<u>\$ 67,873,380</u>	<u>\$ 5,818,572</u>	<u>\$ 6,069,082</u>	<u>\$ 67,622,870</u>

**CITY OF BESSEMER, ALABAMA**  
Notes to the Financial Statements  
September 30, 2019

**NOTE 5 CAPITAL ASSETS -CONTINUED**

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

GOVERNMENTAL

ACTIVITIES	AMOUNT
General government	\$ 1,486,992
Law enforcement	544,005
Fire department	310,771
Public works	405,019
Recreation	405,611
Total Depreciation Expense for Governmental Activities	<u>\$ 3,152,398</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, 2019

**NOTE 5 – CAPITAL ASSETS – CONTINUED**

	9/30/2018			9/30/2019
	Beginning			Ending
	Balance	Increases	Decreases	Balance
<b>Business - Type Activities</b>				
Capital Assets not being depreciated				
Land	\$ 371,854	\$ -	\$ -	\$ 371,854
Construction in process	225,631	2,407,331		2,632,962
Total Capital Assets, not being depreciated	597,485	2,407,331	-	3,004,816
 Capital Assets				
Building and capital facilities	5,027,498	29,117	-	5,056,615
Plant and Equipment	85,148,509	563,845	13,491,581	72,220,773
Office, non-office, and other equipment	7,800,351	263,391	-	8,063,742
Total Capital Assets, being depreciated	97,976,358	856,353	13,491,581	85,341,130
 Less accumulated depreciation				
Building and capital facilities	4,672,699	7,116	-	4,679,815
Plant and Equipment	33,395,545	1,192,762	251,041	34,337,266
Office, non-office, and other equipment	9,158,283	582,014	-	9,740,297
Total accumulated depreciation	47,226,527	1,781,892	251,041	48,757,378
 Total Capital Assets being depreciated, net	50,749,831	(925,539)	13,240,540	36,583,752
Business -Type activities capital assets, net	\$ 51,347,316	\$ 1,481,792	\$ 13,240,540	\$ 39,588,568

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

**BUSINESS - TPYE**

ACTIVITIES	AMOUNT
Electric	\$ 962,260
Water	806,734
Civic Center	12,899
Total Depreciation Expense for Business - Type Activities	\$ 1,781,893

**CITY OF BESSEMER, ALABAMA**

## Notes to the Financial Statements

September 30, 2019

**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, 2019, is as follows:

Due to/from Other Funds:

	Due From	To Due	
General Fund	\$ 1,759,931	\$ -	(1)
General Fund	543,899	-	(3)
Nonmajor Funds	203,973	1,963,904	(2)
Proprietary Funds	<u>-</u>	<u>543,899</u>	(3)
	<u>\$ 2,507,803</u>	<u>\$ 2,507,803</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

# **CITY OF BESSEMER, ALABAMA**

## **Notes to the Financial Statements**

September 30, 2019

### **NOTE 6 – INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS – CONTINUED**

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, 2019, is as follows:

	Transfers In	Transfers Out	
<b>General Fund:</b>			
Operating transfer	\$ 1,035,808	\$ 1,694,729	(2)
<b>Major Funds:</b>			
Debt Service Fund	2,828,907	-	(1)
<b>Nonmajor Funds</b>	543,500	1,677,678	(2)
<b>Proprietary Funds</b>		1,035,808	(2)
	<u>\$ 4,408,215</u>	<u>\$ 4,408,215</u>	

(1) Transfer to cover debt service requirements

(2) Transfer to subsidize fund operations

### **NOTE 7 – CAPITAL LEASES**

#### **Governmental Activities:**

The City has entered into a lease agreement as a lessee for financing the acquisition of two fire engines. 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, 2019, are as follows:

Year Ending	Governmental Activities		
September 30	Principal	Interest	Total
2020	\$ 125,241	\$ 7,859	\$ 133,100
2021	129,110	3,990	133,100
2022	-	-	-
Total Minimum Lease Payments	\$ 254,351	\$ 11,849	266,200
Less: Amount Representing Interest			11,849
Present Value of Minimum Lease Payments			<u>\$ 254,351</u>



**CITY OF BESSEMER, ALABAMA**

## Notes to the Financial Statements

September 30, 2019

**NOTE 7 – CAPITAL LEASES – CONTINUED****Governmental Activities – Continued:**

Assets acquired through capital leases are as follows:

	Governmental Activities
Machinery and Equipment	\$ 946,448
Less Accumulated depreciation	418,014
Net Total	<u>\$ 528,434</u>

**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 \$225,888 at June 30, 2019, 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, 2019, are as follows:

Year Ending	Business -Type Activities		
<u>September 30</u>	Principal	Interest	Total
2019	\$ 43,467	\$ 6,977	\$ 50,444
2020	45,115	5,329	50,444
2021	46,826	3,618	50,444
2022	48,601	1,843	50,444
Total Minimum Lease Payments	\$ 184,009	\$ 17,767	201,776
Less: Amount Representing Interest			17,767
Present Value of Minimum Lease Payments			<u>\$ 184,009</u>

Assets acquired through capital leases are as follows:

	Business -Type Activities
Machinery and Equipment	\$ 276,334
Less Accumulated depreciation	110,534
Net Total	<u>\$ 165,800</u>

**CITY OF BESSEMER, ALABAMA**

## Notes to the Financial Statements

September 30, 2019

**NOTE 8 – OPERATING LEASES*****Governmental Activities:***

The City leases copier equipment and golf carts under operating leases expiring at various times ranging from December 2019, 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, 2019, are as follows:

<b>Year Ending</b>	<b>Governmental Activities</b>
<b>September 30</b>	
2020	\$ 78,379
2021	47,070
2022	31,000
Total	<u>\$ 156,449</u>

Rental expenditures for the year ended September 30, 2019, totaled \$93,282.

**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, 2019

### ***NOTE 9 – CURRENT AND ADVANCED REFUNDINGS– Continued:***

#### ***Governmental Activities***

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, 2019

### ***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, 2019, 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, 2019

**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, 2019, was \$794,812 leaving an unamortized deferred outflow of \$4,579,939.

**Governmental Activities:**

<u>Type and Purpose</u>	<u>9/30/18</u>	<u>Addition</u>	<u>Amortization</u>	<u>9/30/2019</u>
Deferred Loss Outflow on Refunding of Debt	\$ 1,922,413	\$ -	\$ 235,008	\$ 1,687,405
Deferred Net Outflow Acquisition Cost of the TIF District and CDA	\$ 5,371,751	\$ -	\$ 794,812	\$ 4,576,939

**Business - Type Activities:**

<u>Type and Purpose</u>	<u>9/30/18</u>	<u>Addition</u>	<u>Amortization</u>	<u>9/30/2019</u>
Deferred Loss Outflow on Refunding of Debt	\$ 1,320,673	\$ -	\$ 64,648	\$ 1,256,025

**CITY OF BESSEMER, ALABAMA**

## Notes to the Financial Statements

September 30, 2019

**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	2019
Limited obligation Library Warrants Series 2012 Due in varying amounts beginning February 1, 2015, until February 1, 2030 with interest payable semi-annual on February 1 and August 1 at rates varying from 2.00% to 3.125%. Payable solely from and secured by the pledge of 3.5 mills on each \$1.00 of taxable property of the City.	\$ 3,105,000
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.	21,425,000
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.	1,185,000



**CITY OF BESSEMER, ALABAMA**  
Notes to the Financial Statements  
September 30, 2019

***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.

10,380,000

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.

17,470,000

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.

6,900,000

Total Warrants Payable- Governmental Activities      \$ 60,465,000

**CITY OF BESSEMER, ALABAMA**

Notes to the Financial Statements

September 30, 2019

**NOTE 10 – GENERAL AND LIMITED OBLIGATION WARRANTS PAYABLE – CONTINUED****Primary Government****Governmental Activities:**

Activity during 2019 related to long-term debt principal obligations is as follows:

<i>Primary Government</i>	Balance at September 30, 2018	Additions	Reductions	Balance at September 30, 2019	Due Within One Year
<b>Governmental Activities Warrants:</b>					
Series 2012	\$ 3,345,000	\$ -	\$ 240,000	\$ 3,105,000	\$ 245,000
Series 2013-A	22,110,000	-	685,000	21,425,000	705,000
Series 2013-B	1,405,000	-	220,000	1,185,000	225,000
Series 2013-C	11,045,000	-	665,000	10,380,000	680,000
Series 2014-D	18,180,000	-	710,000	17,470,000	730,000
Series 2014-E	6,945,000	-	45,000	6,900,000	45,000
Less unamortized amounts:					
For warrant premium	28,762		9,313	19,449	
For warrant discount	(468,964)		(48,974)	(419,990)	
	<u>62,589,798</u>	<u>-</u>	<u>2,525,339</u>	<u>60,064,459</u>	<u>2,630,000</u>
<b>Capital Lease</b>					
Oshkosh, due December 19, 2020	<u>375,838</u>	<u>-</u>	<u>121,487</u>	<u>254,351</u>	<u>125,241</u>
	<u>375,838</u>	<u>-</u>	<u>121,487</u>	<u>254,351</u>	<u>125,241</u>
<b>Accumulated</b>					
<b>Compensated Absences</b>	<u>7,199,766</u>		<u>487,875</u>	<u>6,711,891</u>	<u>1,073,903</u>
	<u>7,199,766</u>	<u>-</u>	<u>487,875</u>	<u>6,711,891</u>	<u>1,073,903</u>
Total Long-Term Debt	<u>\$ 70,165,402</u>	<u>\$ -</u>	<u>\$ 3,134,701</u>	<u>\$ 67,030,701</u>	<u>\$ 3,829,144</u>

**CITY OF BESSEMER, ALABAMA**

## Notes to the Financial Statements

September 30, 2019

**NOTE 10 – GENERAL AND LIMITED OBLIGATION WARRANTS PAYABLE – CONTINUED****Primary Government****Governmental Activities:**

Debt service requirements on warrants payable at September 30, 2019 were as follows:

Year Ending	Governmental Activities		Total
September 30	Principal	Interest	Principal
2020	\$ 2,603,000	\$ 2,300,970	\$ 4,903,970
2021	2,695,000	2,232,126	4,927,126
2022	2,760,000	2,156,070	4,916,070
2023	2,855,000	2,071,825	4,926,825
2024	2,685,000	1,974,359	4,659,359
2025-2029	13,320,000	8,504,353	21,824,353
2030-2034	14,665,000	5,793,266	20,458,266
2035-2039	11,897,000	2,838,712	14,735,712
2040-2043	6,985,000	682,929	7,667,929
	<u>\$ 60,465,000</u>	<u>\$ 28,554,610</u>	<u>\$ 89,019,610</u>

**Business-Type Activities:**

Type and Purpose	2019
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.	\$ 26,975,000
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.	8,715,000
Total Warrants Payable- Business-Type Activities	<u>\$ 35,690,000</u>



# **CITY OF BESSEMER, ALABAMA**

## Notes to the Financial Statements

September 30, 2019

### **NOTE 10 – GENERAL AND LIMITED OBLIGATION WARRANTS PAYABLE – CONTINUED**

#### **Business-Type Activities:**

##### **Water Service**

Activity during 2019 related to long-term debt principal obligations is as follows:

	Balance at September 30, 2018	Additions	Deletions	Balance at September 30, 2019	Due Within One Year
<b>Water Revenue Warrants</b>					
Series 2017	\$ 27,455,000	\$ -	\$ 480,000	\$ 26,975,000	\$ 500,000
Premium on Series 2017	1,889,869		64,668	1,825,201	
	29,344,869	-	544,668	28,800,201	500,000
<b>Compensated Absences</b>	745,002	113,863		858,865	137,418
	<u>\$ 30,089,871</u>	<u>\$ 113,863</u>	<u>\$ 544,668</u>	<u>\$ 29,659,066</u>	<u>\$ 637,418</u>

	Principal	Interest	Total
2020	\$ 500,000	\$ 1,159,006	\$ 1,659,006
2021	520,000	1,138,606	1,658,606
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
2025-2029	3,460,000	4,828,030	8,288,030
2030-2034	4,435,000	3,865,695	8,300,695
2035-2039	5,340,000	2,953,491	8,293,491
2040-2044	6,395,000	1,897,049	8,292,049
2045-2047	4,625,000	354,625	4,979,625
	<u>\$ 26,975,000</u>	<u>\$ 19,469,870</u>	<u>\$ 46,444,870</u>

**CITY OF BESSEMER, ALABAMA**

## Notes to the Financial Statements

September 30, 2019

**NOTE 10 – GENERAL AND LIMITED OBLIGATION WARRANTS PAYABLE – CONTINUED*****Business-Type Activities – Continued:***

Activity during 2019 related to long-term debt principal obligations is as follows:

	Balance at June 30, 2018	Additions	Reductions	Balance at June 30, 2019	Due Within One Year
<b>Electric Revenue Warrants</b>					
Series 2011	\$ 9,160,000	\$ -	\$ 445,000	\$ 8,715,000	\$ 450,000
Less unamortized amounts:					
For warrant discount	(236,446)		15,315	(221,131)	
Deferred outflow on refunding	(440,716)		27,984	(412,732)	
	<u>8,482,838</u>	<u>-</u>	<u>488,299</u>	<u>8,081,137</u>	<u>450,000</u>
 <b>Capital Lease</b>					
Kansas State Bank due January 15, 2018	<u>225,888</u>	<u>-</u>	<u>41,879</u>	<u>184,009</u>	<u>43,467</u>
	<u>225,888</u>	<u>-</u>	<u>41,879</u>	<u>184,009</u>	<u>43,467</u>
 <b>Accumulated Compensated Absences</b>	<u>596,103</u>	<u>153,103</u>		<u>749,206</u>	<u>119,873</u>
	<u>596,103</u>	<u>153,103</u>	<u>-</u>	<u>749,206</u>	<u>119,873</u>
 Total Long-Term Debt	<u>\$ 9,304,829</u>	<u>\$ 153,103</u>	<u>\$ 530,178</u>	<u>\$ 9,014,352</u>	<u>\$ 613,340</u>

**CITY OF BESSEMER, ALABAMA**

Notes to the Financial Statements

September 30, 2019

**NOTE 10 – GENERAL AND LIMITED OBLIGATION WARRANTS PAYABLE – CONTINUED*****Business-Type Activities – Continued:*****Bessemer Electric Service**

Maturities of the loan payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 450,000	\$ 327,983	\$ 777,983
2020	465,000	316,283	781,283
2021	480,000	303,495	783,495
2022	495,000	288,615	783,615
2023	505,000	272,573	777,573
2023-2027	2,835,000	1,071,751	3,906,751
2028-2032	3,485,000	453,815	3,938,815
	<u>\$ 8,715,000</u>	<u>\$ 3,034,515</u>	<u>\$ 11,749,515</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 15c2-12 (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, 2019

**NOTE 11 – COMPONENT UNITS' REVENUE BONDS AND NOTES PAYABLE – CONTINUED****GUSC - CONTINUED:**

## 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.

\$ 46,625,000

Activity during 2019 related to long-term debt principal obligations is as follows:

	Balance at September 30, 2018	Additions	Deletions	Balance at September 30, 2019	Due Within One Year
<b>Water Supply Revenue Bonds</b>					
Series 2017	\$ 48,005,000	\$ -	\$ 1,380,000	\$ 46,625,000	\$ 1,420,000
Premium on Series 2017	6,336,152		512,996	5,823,156	
	<u>\$ 54,341,152</u>	<u>\$ -</u>	<u>\$ 1,892,996</u>	<u>\$ 52,448,156</u>	<u>\$ 1,420,000</u>

Debt service requirements on bonds payable at September 30, 2019 were as follows:

Year Ending	Total	
September 30	Principal	Interest
2020	\$ 1,420,000	\$ 2,220,375
2021	1,495,000	2,149,375
2022	1,570,000	2,074,625
2023	1,650,000	1,996,125
2024	1,730,000	1,913,625
2025-2029	10,040,000	8,181,125
2030-2034	12,815,000	5,406,625
2035-2039	15,905,000	2,316,450
	<u>\$ 46,625,000</u>	<u>\$ 26,258,325</u>

**CITY OF BESSEMER, ALABAMA**

## Notes to the Financial Statements

September 30, 2019

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

Type and Purpose	2019
<b>Airport Authority</b>	
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.	\$ 568,466
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.	100,687
Notes payable - bank	
Due in monthly installments at 4.15% annual interest rate, matures March 2024, collateralized by fixed assets purchase with the note.	47,229
Notes payable - bank	
Due in monthly installments at 4.52% annual interest rate, matures May 2020, collateralized by fixed assets.	1,256
Total Warrants Payable- Governmental Activities	<u>\$ 717,638</u>

Activity during 2019 related to long-term debt principal obligations is as follows:

	Balance at September 30, 2018	Additions	Deletions	Balance at September 30, 2019
<b>Notes Payable</b>				
Bank, due February 2028	\$ 621,793	\$ -	\$ 53,327	\$ 568,466
Bank, due February 2029	19,960	80,727	-	100,687
Bank, due March 2024	-	47,229	-	47,229
Bank, due May 2020	3,140	-	1,884	1,256
	<u>\$ 644,893</u>	<u>\$ 127,956</u>	<u>\$ 55,211</u>	<u>\$ 717,638</u>

**CITY OF BESSEMER, ALABAMA**

## Notes to the Financial Statements

September 30, 2019

**NOTE 11 – COMPONENT UNITS' REVENUE BONDS AND NOTES PAYABLE – CONTINUED****Airport Authority - Continued**

Debt service requirements on bonds payable at September 30, 2019 were as follows:

<b>Year Ending</b>	<b>Total</b>
<b>September 30</b>	<b>Principal</b>
2020	\$ 48,371
2021	59,038
2022	61,484
2023	64,034
2024	48,282
Thereafter	436,430
	<u>\$ 717,639</u>

**NOTE 12 – CHANGES IN OTHER-TERM LIABILITIES****Primary Government:****Governmental Activities:**

Activity during 2019 related to other long-term debt obligations is as follows:

<b>Primary Government</b>	<b>Balance at September 30, 2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at September 30, 2019</b>
<b>Governmental Activities:</b>				
Net Pension Obligation	\$ 47,496,405	\$ 284,743	\$ -	\$ 47,781,148
Net OPEB Obligation	31,563,312	-	8,489,057	23,074,255
Closure and Postclosure Costs	266,845	-	-	266,845
	<u>\$ 26,860,000</u>	<u>\$ -</u>	<u>\$ 1,145,000</u>	<u>\$ 25,715,000</u>



**CITY OF BESSEMER, ALABAMA**  
Notes to the Financial Statements  
September 30, 2019

**NOTE 12 – CHANGES IN LONG-TERM LIABILITIES – CONTINUED**

***Primary Government – Continued***

**Business -Type Activities:**

Activity during 2019 related to other long-term debt obligations is as follows:

<i>Water Service</i>	Balance at September 30, 2018	Additions	Reductions	Balance at September 30, 2019
Net Pension Obligation	\$ 6,093,878	\$ 36,534	\$ -	\$ 6,130,412
Net OPEB Obligation	1,222,271	2,322,677	-	3,544,948
	<u>\$ 7,316,149</u>	<u>\$ 2,359,211</u>	<u>\$ -</u>	<u>\$ 9,675,360</u>

<i>Electric Service</i>	Balance at September 30, 2018	Additions	Reductions	Balance at September 30, 2019
Net Pension Obligation	\$ 4,226,399	\$ 25,338	\$ -	\$ 4,251,737
Net OPEB Obligation	847,704	1,610,889	-	2,458,593
	<u>\$ 5,074,103</u>	<u>\$ 1,636,227</u>	<u>\$ -</u>	<u>\$ 6,710,330</u>

**CITY OF BESSEMER, ALABAMA**

## Notes to the Financial Statements

September 30, 2019

**NOTE 13 – FUND BALANCES – GOVERNMENTAL FUNDS**

Amounts for specific purposes by fund and fund balance classifications for the year ended September 30, 2019, are as follows:

Classification/Fund	Purpose	Amount
Nonspendable		
General	Prepaid items	\$ 236,365
General	Inventory	252,773
Restricted		
Debt Service	Retire Debt	813,293
7 cent Gas Tax	Street Improvements	593,652
4 cent Gas Tax	Street Improvements	106,115
1 cent Gas Tax	Street Improvements	432,589
Capital Projects	Special Projects	338
Police Grant	Equipment	112,067
Community Development	Residential Improvements	2,094,209
Judicial Administrative Funds	Municipal Court	
Committed		
Library	Public Service	721,030
Recreation Facilities	Public Service & Health	2,207,148
Assigned		
Confiscated Drug	Drug enforcement	850,488
Police Donated Funds	Equipment	47,651
State Seized	Unclaimed Property	114,393
E-911	Public Safety	232,635
Storm Water	Street Drainage	927,495
Unassigned		
General	Unassigned	10,608,255
Total fund balances		<u>\$ 20,350,496</u>

## **CITY OF BESSEMER, ALABAMA**

### **Notes to the Financial Statements**

**September 30, 2019**

#### ***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 1<sup>st</sup> 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 2019. The City has a general obligation to service \$60,000 of this debt annually. As of September 30, 2019, the outstanding balance of the notes payable was \$669,153.



## **CITY OF BESSEMER, ALABAMA**

### **Notes to the Financial Statements**

September 30, 2019

#### ***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, 2019, 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 2019. 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 20 years.

#### ***NOTE 17 – RETIREMENT PLAN***

##### *General Information about the Pension Plan*

*Plan Description.* The Employees’ Retirement System of Alabama, an agency multiple-employer plan, was established October 1, 1945, under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing 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 (this includes GUSC). The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama 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](http://www.rsa-al.gov).

The ERS Board of Control consists of 13 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.

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, 2019

#### **NOTE 17 – RETIREMENT PLAN – CONTINUED**

##### *General Information about the Pension Plan (Continued)*

- 5) Six 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. Two vested active employees of an employer participating in ERS pursuant to § 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.

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.



## CITY OF BESSEMER, ALABAMA

### Notes to the Financial Statements

September 30, 2019

#### NOTE 17 – RETIREMENT PLAN – CONTINUED

##### *General Information about the Pension Plan (Continued)*

The ERS membership includes approximately 93,986 participants from approximately 907 local participating employers. As of September 30, 2019, membership consisted of:

Retirees and beneficiaries currently receiving benefits	25,871
Terminated employees entitled to but not yet receiving benefits	1,794
Terminated employees not entitled to a benefit	11,001
Active members	55,222
Post-DROP participants still in active service	<u>98</u>
Total	<u>93,986</u>

*Contributions.* Tier 1 covered members of the ERS (except State Police and certified law enforcement, correctional officers, and firefighters) contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, Tier 1 covered members of the ERS (except State Police and certified law enforcement, correctional officers and firefighters) were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, Tier 1 covered members of the ERS (except State Police and certified law enforcement, correctional officers and firefighters) are required by statute to contribute 7.50% of earnable compensation. Tier 1 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, Tier 1 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. Tier 1 State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.



## **CITY OF BESSEMER, ALABAMA**

### **Notes to the Financial Statements**

September 30, 2019

#### ***NOTE 17 – RETIREMENT PLAN – CONTINUED***

##### *General Information about the Pension Plan (Continued)*

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, 2019, the City's active employee contribution rate was 15.35% of covered payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 14.98% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2019, was 15.93% of pensionable pay for Tier 1 employees, and 12.84% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2017, 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 \$4,855,053 for the year ended September 30, 2019.

**CITY OF BESSEMER, ALABAMA**

Notes to the Financial Statements

September 30, 2019

**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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017, rolled forward to September 30, 2018, using standard roll-forward techniques as shown in the following table:

Rollforward of the Total Pension Liability

	<u>Expected</u>	<u>Actual</u>	<u>Actual</u>
<b>Total Pension Liability</b> as of September 30, 2017	\$ 137,985,887	\$ 137,914,997	\$ 138,628,869
<b>Discount rate</b>	7.75%	7.75%	7.70%
<b>Entry Age Normal Cost</b> for the period October 1, 2017 - September 30, 2018	2,582,382	2,582,382	2,606,660
<b>Transfers Among Employers:</b>	-	(359,156)	(359,156)
<b>Actual Benefit Payments and Refunds</b> for the period October 1, 2017-September 30, 2018	<u>(8,568,877)</u>	<u>(8,568,877)</u>	<u>(8,568,877)</u>
<b>Total Pension Liability</b> as of September 30, 2018 = [(a) x (1+(b))]+ (c) +(d)+[(e) x (1+.05*(b))]	<u>\$ 142,361,254</u>	<u>\$ 141,925,714</u>	<u>\$ 142,652,016</u>
Difference between Expected and Actual Experience (Gain) Loss		\$ (435,540)	
Less Liability Transferred for Immediate Recognition:		<u>(359,156)</u>	
Experience (Gain)/Loss = (g) - (h)		<u>\$ (76,384)</u>	
Difference between Actual at 7.70% and Actual at 7.75% [Assumption Change (Gain)/Loss] =			<u>\$ 726,302</u>

## CITY OF BESSEMER, ALABAMA

### Notes to the Financial Statements

September 30, 2019

#### **NOTE 17 – RETIREMENT PLAN – CONTINUED**

##### Net Pension Liability (Continued)

*Actuarial assumptions.* The total pension liability as of September 30, 2018, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2016. The key actuarial assumptions are summarized below:

Inflation	2.875%
Salary increases	3.375% - 5.125%, including inflation
Investment rate of return*	7.875%

\*Net of pension plan investment expense

Mortality rates for ERS were based on the RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females age 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2017, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.



**CITY OF BESSEMER, ALABAMA**

Notes to the Financial Statements

September 30, 2019

**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	17.0%	4.4%
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%	10.1%
Real Estate	10.0%	7.5%
Cash Equivalents	3.0%	1.5%
Total	100.0%	

\*Includes assumed rate of inflation of 2.50%.

**CITY OF BESSEMER, ALABAMA**

## Notes to the Financial Statements

September 30, 2019

**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, 7.70%. 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	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
<b>Balances at 9/30/2017</b>	<u>\$ 137,985,887</u>	<u>\$ 80,169,205</u>	<u>\$ 57,816,682</u>
Changes for the year:			
Service cost	2,582,382		2,582,382
Interest	10,361,862		10,361,862
Change of assumptions	-		-
Differences between expected and actual experience	726,302		726,302
Contributions--employer		4,179,660	(4,179,660)
Contributions--employee	(76,384)	1,785,551	(1,861,935)
Net investment income		7,282,336	(7,282,336)
Benefit payments, including refunds of employee contributions	(8,568,877)	(8,568,877)	-
Administrative expense			-
Transfers Among Employers	(359,156)	(359,156)	-
Net changes	<u>4,666,129</u>	<u>4,319,514</u>	<u>346,615</u>
<b>Balances at 9/30/2018</b>	<u>\$ 142,652,016</u>	<u>\$ 84,488,719</u>	<u>\$ 58,163,297</u>

**CITY OF BESSEMER, ALABAMA**

## Notes to the Financial Statements

September 30, 2019

*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 -6.70%	Current Discount Rate 7.70%	1.00% Increase 8.70%
City's Net Pension Liability (Asset)	\$ 74,136,517	\$ 58,163,297	\$ 44,624,598



**CITY OF BESSEMER, ALABAMA**

## Notes to the Financial Statements

September 30, 2019

**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, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditor's report dated January 15, 2019, 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 [www.rsa-al.gov](http://www.rsa-al.gov).

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

For the year ended September 30, 2019, the City recognized pension expense of \$4,179,660. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pension of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,274,401	\$ 64,811
Changes in assumptions	3,850,085	-
Net differences between projected and actual earnings on plan investments	-	2,785,746
Employer contributions subsequent to the Measurement Date	4,738,043	-
	<u>\$ 10,862,529</u>	<u>\$ 2,850,557</u>

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

**Year ended September 30:**

2020	\$ 1,445,072
2021	519,257
2022	429,061
2023	594,498
2024	226,961
Thereafter	59,080
	<u>\$ 3,273,929</u>

## **CITY OF BESSEMER, ALABAMA**

Notes to the Financial Statements

September 30, 2019

### ***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:

<b>Age at Retirement</b>	<b>Years of Service With the City at Retirement</b>	<b>City Contribution Toward Retiree Coverage</b>	<b>City Contribution Toward Dependent Coverage</b>
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, 2019

**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, 2019

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

##### *Total OPEB Liability*

The City's total OPEB liability of \$29,077,796 was measured as of September 30, 2018, 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	3.57%
Measurement Date	4.18%

##### 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 2020 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 2020. 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, 2019

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the September 30, 2018 valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2018, valuation were based on a review of recent plan experience done concurrently with the September 30, 2018, valuation.

**Schedule of Changes in Total OPEB Liability**

Reporting Date for Employer under GASB No. 75	September 20, 2018
Measurement Date for Employer under GASB No. 75	September 20, 2017

**Total OPEB Liability**

<b>Total OPEB Liability as of September 30, 2017</b>	<b>\$ 33,633,287</b>
--	----------------------

Changes for the year:

Service Cost at the end of the year*	1,530,873
Interest on TOL and Cash Flows	1,187,665
Change in benefit terms	(1,001,134)
Difference between expected and actual experience	(3,033,417)
Changes of assumptions or other inputs	(2,502,317)
Benefit payments	(737,161)
Other	-
<b>Net changes</b>	<b>(4,555,491)</b>
<b>Total OPEB Liability as of September 30, 2018</b>	<b>\$ 29,077,796</b>

\*The service cost includes interest for the year.

Benefit Changes: Effective as of July 1, 2019, when retirees become Medicare eligible, dependent coverage is no longer available.

## CITY OF BESSEMER, ALABAMA

### Notes to the Financial Statements

September 30, 2019

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

*Assumption Changes:* There was a change in the total OPEB liability arising from the change in the Discount Rate from 3.57% on the Prior Measurement Date to 4.18% on the Measurement Date. Therefore, the change in TOL resulting from the change in the Discount Rate is to be recognized in the OPEB Expense (OE), beginning in the current measurement period, over a closed period equal to 7.41 years. The portion to recognize in the current year is determined by spreading the total change over the average expected remaining service life of the entire Plan membership at the beginning of the measurement period. The average expected remaining service life of active members is the average number of years the active members are expected to remain in covered employment. The average expected remaining service life of the inactive members is zero. The recognition period is the weighted average of these two amounts, or 7.41 years.

#### ***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)	\$ 24,896,449	\$ 29,077,796	\$ 34,383,067



**CITY OF BESSEMER, ALABAMA**

Notes to the Financial Statements

September 30, 2019

**NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION – CONTINUED*****Sensitivity – Continued****Discount Rate Sensitivity*

	1.00%	Current	1.00%
	Decrease	Discount Rate	Increase
	3.18%	4.18%	5.18%
Total OPEB Liability (Asset)	\$ 33,687,052	\$ 29,077,796	\$ 25,318,205

***Deferred Outflows of Resources and Deferred Inflows of Resources***

For the year ended September 30, 2019, the City recognized OPEB expense of \$3,675,121. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pension of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 258,535	\$ 2,625,151
Changes in assumptions		
Employer contributions subsequent to the Measurement Date	1,314,208	4,724,475
	<u>\$ 1,572,743</u>	<u>\$ 7,349,626</u>

For the year ended September 30, 2019, the City recognized OPEB expense of \$3,675,121.

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:**

2019	\$ (1,170,266)
2020	(1,170,266)
2021	(1,170,266)
2022	(1,170,266)
2023	(1,170,266)
Thereafter	<u>(1,239,761)</u>
Total	<u>\$ (7,091,091)</u>

## **CITY OF BESSEMER, ALABAMA**

### **Notes to the Financial Statements**

September 30, 2019

#### ***NOTE 19 – TAX ABATEMENTS AND INCENTIVE AGREEMENTS***

The City is subject to GASB Statement 77, for the year ended September 30, 2019. 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, 2019, as follows:

Municipal ad-valorem taxes (noneducational portion)	\$ 559,746
Sales and use taxes	893,938
Occupational taxes	4,465
Other licenses and fees	<u>71</u>
Total	\$ <u>1,458,220</u>

# CITY OF BESSEMER, ALABAMA

## Notes to the Financial Statements

September 30, 2019

### NOTE 20 – PRIOR PERIOD ADJUSTMENTS

During the year ended September 30, 2019, the Water Service Department recorded a prior period adjustment regarding the restatement of certain accounts and the Electric Service Department also recorded prior period adjustments regarding the restatement of as follows which had the following impact on the net position:

	Beginning Net Position as Originally Reported	Prior Period Adjustments	Restatement	Beginning Net Position Balance as Restated
<b>Governmental Activities:</b>				
<b>Statement of Net Position Financial Statements:</b>				
Correct capital assets		\$ 180,838		
Total Net Position	\$ (48,232,070)	\$ 180,838	\$ -	\$ (48,051,232)
<b>Business - Type Activities:</b>				
<b>Electric Service</b>				
<b>Statement of Net Position Financial Statements:</b>				
Correct prior period Receivables Due From Bessemer Water Service (For Electric Services Render to the Water Service)		\$ (5,284,011)		
Correct prior period deposit on Utility Tax		(214,277)		
Correct prior period Due to Bessemer Water Service		(12,547,403)		
Correct prior period Due to Jefferson County Sewer		14,648,041		
Correct prior period Receivables Due to Bessemer Water Service (Tapping Fees Revenue Collected)		5,164,647		
Correct prior period employee pay deductions for post-employment		59,327		
Restatement for retired bank note			(442,261)	
Total Net Position	\$ 12,591,713	\$ 1,826,324	\$ (442,261)	\$ 13,975,776
<b>Water Service</b>				
<b>Statement of Net Position Financial Statements:</b>				
Correct capital assets		\$ (14,055,401)		
Correct accumulated depreciation		251,043		
Correct account receivables		(1,568,178)		
Correct due from Bessemer Electric Service		(8,301,213)		
Correct deferred compensated absences charges		(113,863)		
Total Net Position	\$ 11,400,714	\$ (23,787,612)	\$ -	\$ (12,386,898)



## **CITY OF BESSEMER, ALABAMA**

Notes to the Financial Statements

September 30, 2019

### **NOTE 21 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 12, 2021, the date which the financial statements were available to be issued.

Events occurring after September 30, 2019, have been evaluated for possible adjustment to the financial statements or disclosure as of September 30, 2019, which is the date the financial statements were available to be issued.

In December 2019, COVID-19 emerged and has subsequently spread worldwide. The World Health Organization has declared COVID-19 a pandemic resulting in federal, state and local governments and private entities mandating various restrictions, including travel restrictions, restrictions on public gatherings, stay at home orders and advisories and quarantining of people who may have been exposed to the virus. After close monitoring and responses and guidance from federal, state and local governments, in an effort to mitigate the spread of COVID-19, effective March 19, 2020, the City closed all of its lobby for at least one month and has temporarily required some employees work remotely from home where possible. The City continues to monitor developments, including government requirements and recommendations at the national, state, and local level to evaluate possible disruptive effects on the City operations.

In addition, the City has taken several steps to further strengthen its financial position and statement of net position, and maintain financial liquidity and flexibility, including, reviewing operating expenses, evaluating merchandise purchases, and reducing capital expenditures.

As the COVID-19 pandemic is complex and rapidly evolving, the City's plans as described above may change. At this point, the City cannot reasonably estimate the duration and severity of this pandemic, which could have a material adverse impact on its business, results of operations, financial position and cash flows.

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

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

The benefit payments shown above includes the implicit subsidy, if any, for the year.

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

	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service cost	\$ 2,582,382	\$ 2,632,723	\$ 2,511,544	\$ 2,394,443	\$ 2,285,389
Interest	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	(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	(8,568,877)	(8,181,814)	(8,035,313)	(7,650,923)	(7,099,318)
Transfers among employers	(359,156)	421,885	255,767	-	-
<b>Net change in total pension liability</b>	<b>4,666,129</b>	<b>6,183,754</b>	<b>10,831,290</b>	<b>6,210,275</b>	<b>3,780,503</b>
<b>Total pension liability-beginning</b>	<b>137,985,887</b>	<b>131,802,133</b>	<b>120,970,843</b>	<b>114,760,568</b>	<b>110,980,065</b>
<b>Total pension liability-ending (a)</b>	<b>\$ 142,652,016</b>	<b>\$ 137,985,887</b>	<b>\$ 131,802,133</b>	<b>\$ 120,970,843</b>	<b>\$ 114,760,568</b>
<b>Plan fiduciary net position</b>					
Contributions--employer	\$ 4,179,660	\$ 4,200,719	\$ 4,317,742	\$ 4,027,999	\$ 3,819,448
Contributions--member	1,785,551	1,717,279	1,656,712	1,594,175	1,547,167
Net investment income	7,282,336	9,204,309	6,812,829	806,003	7,491,327
Benefit payments, including refunds of employee contributions	(8,568,877)	(8,181,814)	(8,035,313)	(7,650,923)	(7,099,318)
Administrative expense	-	-	-	-	-
Transfers Among Employers	(359,156)	421,885	255,767	137,968	(352,470)
<b>Net change in plan fiduciary net position</b>	<b>4,319,514</b>	<b>7,362,378</b>	<b>5,007,737</b>	<b>(1,084,778)</b>	<b>5,406,154</b>
<b>Plan net position-beginning</b>	<b>80,169,205</b>	<b>72,806,827</b>	<b>67,799,090</b>	<b>68,883,868</b>	<b>63,477,714</b>
<b>Plan net position-ending</b>	<b>\$ 84,488,719</b>	<b>\$ 80,169,205</b>	<b>\$ 72,806,827</b>	<b>\$ 67,799,090</b>	<b>\$ 68,883,868</b>
<b>Net Pension liability (assets)-ending (a)-(b)</b>	<b>\$ 58,163,297</b>	<b>\$ 57,816,682</b>	<b>\$ 58,995,306</b>	<b>\$ 53,171,753</b>	<b>\$ 45,876,700</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>59.23%</b>	<b>58.10%</b>	<b>55.24%</b>	<b>56.05%</b>	<b>60.02%</b>
<b>Covered payroll*</b>	<b>\$ 31,622,547</b>	<b>\$ 32,509,570</b>	<b>\$ 31,558,579</b>	<b>\$ 29,830,035</b>	<b>\$ 28,091,007</b>
<b>Net pension liability (asset) as a percentage of covered payroll</b>	<b>183.93%</b>	<b>177.85%</b>	<b>186.94%</b>	<b>178.25%</b>	<b>163.31%</b>

\*Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2019 the measurement period is October 1, 2017-September 30, 2018.

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**

	2019	2018	2017	2016	2015
Actuarially determined contribution*	\$ 4,738,043	\$ 4,179,660	\$ 4,198,444	\$ 4,313,610	\$ 4,125,114
Contributions in relation to the actuarially required contribution	4,738,043	4,179,660	4,198,444	4,313,610	4,125,114
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll**	\$ 31,622,547	\$ 32,107,711	\$ 32,509,570	\$ 31,558,579	\$ 29,830,035
Contributions as a percentage of covered-employee payroll	14.98%	13.02%	12.91%	13.67%	13.83%

\* 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 2019 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 2019 were based on the September 30, 2016, 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	29 Years
Asset Valuation Method	Five Year Smoothed Market
Inflation	
Salary Increases	3.75% -5.125%, Including Inflation
Investments Rate of Return	7.875%, Net of Pension Plan Investment Expense, including Inflation.

THE CITY OF BESSEMER, ALABAMA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2019

Special Revenue Funds												
	Community Development Fund	Confiscated Drug Fund	TIF District Fund	Police Grant Fund	State Seized Fund	7 Cent Gas Tax Fund	4 & 5 Cent Gas Tax	1 Cent Gas Tax Fund	E-911 Fund	Total Special Revenue Funds	Capital Projects Fund	Nonmajor Governmental Funds
<b>ASSETS</b>												
Cash and Cash equivalents	\$ 779,015	\$ 827,513	\$ 807,308	\$ 107,906	\$ 114,393	\$ 274,588	\$ 106,509	\$ 432,589	\$ 267,621	\$ 3,717,442	\$ -	\$ 3,717,442
Cash with Escrow Agents										-	338	338
Accounts Receivable				157,155		379,534				536,689	-	536,689
Loans Receivable	1,627,450									1,627,450	-	1,627,450
Due from Other Funds		45,145	394	94,711		63,723				203,973	-	203,973
Deferred Loans Receivable	459,564									459,564	-	459,564
Total Assets	<u>2,866,029</u>	<u>872,658</u>	<u>807,702</u>	<u>359,772</u>	<u>114,393</u>	<u>717,845</u>	<u>106,509</u>	<u>432,589</u>	<u>267,621</u>	<u>6,545,118</u>	<u>338</u>	<u>6,545,456</u>
<b>LIABILITIES AND FUND BALANCE</b>												
<b>LIABILITIES</b>												
Accounts payable	17,399		43,214	1,296		124,193			34,986	221,088	-	221,088
Due to Other Funds	754,421	22,170	764,488	246,409			394			1,787,882	-	1,787,882
Total Liabilities	<u>771,820</u>	<u>22,170</u>	<u>807,702</u>	<u>247,705</u>	<u>-</u>	<u>124,193</u>	<u>394</u>	<u>-</u>	<u>34,986</u>	<u>2,008,970</u>	<u>-</u>	<u>2,008,970</u>
<b>Fund balance</b>												
Restricted	<u>2,094,209</u>	<u>850,488</u>	<u>-</u>	<u>112,067</u>	<u>114,393</u>	<u>593,652</u>	<u>106,115</u>	<u>432,589</u>	<u>232,635</u>	<u>4,536,148</u>	<u>338</u>	<u>4,536,486</u>
<b>Total Liabilities and Fund balance</b>	<u>\$ 2,866,029</u>	<u>\$ 872,658</u>	<u>\$ 807,702</u>	<u>\$ 359,772</u>	<u>\$ 114,393</u>	<u>\$ 717,845</u>	<u>\$ 106,509</u>	<u>\$ 432,589</u>	<u>\$ 267,621</u>	<u>\$ 6,545,118</u>	<u>\$ 338</u>	<u>\$ 6,545,456</u>

**Special Revenue Funds**

	Community Development Fund	Confiscated Drug Fund	TIF District Fund	Police Grant Fund	State Seized Fund	7 Cent Gas Tax Fund	4 & 5 Cent Gas Tax	1 Cent Gas Tax Fund	E-911 Fund	Total Special Revenue Funds	Capital Projects Fund	Nonmajor Governmental Funds
<b>REVENUES:</b>												
Taxes	\$ -		\$ 766,385			\$ 283,786	\$ 261,600	\$ 453,723		\$ 1,765,494	\$ -	\$ 1,765,494
Grants and intergovernmental	632,835			279,827	59,499	919,465				1,891,626		1,891,626
Charges and fees for services	-	-	-						671,659	671,659		671,659
Investment Income	-									-		-
Other	170,891	468,083		-						638,974		638,974
Total Revenues	803,726	468,083	766,385	279,827	59,499	1,203,251	261,600	453,723	671,659	4,967,753	-	4,967,753
<b>EXPENDITURES:</b>												
Current operations:												
General Government	1,494,044	-	109,263		25,934	117,985	60	60		1,747,346		1,747,346
Law Enforcement		169,940	-	52,732					1,018,864	1,241,536		1,241,536
Fire protection	-									-		-
Public Improvement										-		-
Health, Welfare, and Public Services										-		-
Recreational										-		-
Capital Outlay	-	24,960		231,203	9,296	978,512			12,417	1,256,388		1,256,388
Total Current Operations	1,494,044	194,900	109,263	283,935	35,230	1,096,497	60	60	1,031,281	4,245,270	-	4,245,270
Excess of Revenues Over (Under)												
Expenditures	(690,318)	273,183	657,122	(4,108)	24,269	106,754	261,540	453,663	(359,622)	722,483	-	722,483
<b>OTHER FINANCING SOURCES (USES)</b>												
Transfers in	3,500					540,000				543,500		543,500
Transfers out	(68,816)		(657,122)	-		(411,740)	(200,000)	(340,000)		(1,677,678)		(1,677,678)
Total other financing sources (uses)	(65,316)	-	(657,122)	-	-	128,260	(200,000)	(340,000)	-	(1,134,178)	-	(1,134,178)
Net Change in Fund Balances	(755,634)	273,183	-	(4,108)	24,269	235,014	61,540	113,663	(359,622)	(411,695)	-	(411,695)
<b>Fund Balances-Beginning</b>	2,849,843	577,305	-	116,175	90,124	358,638	44,575	318,926	592,257	4,947,843	338	4,948,181
<b>Fund Balances-Ending</b>	\$ 2,094,209	\$ 850,488	\$ -	\$ 112,067	\$ 114,393	\$ 593,652	\$ 106,115	\$ 432,589	\$ 232,635	\$ 4,536,148	\$ 338	\$ 4,536,486



## **City of Bessemer, Alabama**

### **Statement of Constitutional Debt Limits**

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September 30, 2019

#### ***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, 2018, for which taxes became due and payable on October 1, 2019, is \$391,632,760. Consequently, the general constitutional debt limitation currently applicable to the City is \$78,326,552.

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, 2019, was \$46,086,044. Consequently, the City may hereafter incur additional indebtedness in the approximate amount of \$32,240,508 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 \$32,240,508. 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**

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September 30, 2019

***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, 2019

The following statement reflects the City's legal debt margins as of September 30, 2019:

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

Net assessed value of taxable property (as of September 30, 2018) <sup>1</sup>	\$ 391,632,760
General debt limit (20% of assessed value)	78,326,552
Section 94.01 debt limit	195,816,380
Total chargeable indebtedness <sup>2</sup>	
General Obligation Warrants, Series 2013-A	21,425,000
General Obligation Warrants, Series 2013-C	10,380,000
General Obligation Warrants, Series 2014-E	6,900,000
Airport Funding Agreement	669,153
Compensated Absences Liability	6,711,891
Total chargeable debt outstanding	46,086,044
Less: Bonds or warrants for exempt purposes	<u>-</u>
Total debt chargeable against general legal debt margin	46,086,044
General legal debt margin	<u>\$ 32,240,508</u>
Total debt chargeable against Section 94.01 debt margin, Series 2014-D	<u>17,470,000</u>
Section 94.01 legal debt margin	<u>\$ 178,346,380</u>

<sup>1</sup> Source Jefferson County Tax Assessor. Includes real and personal property \$354,290,660 and motor vehicles \$37,342,100, net of exemptions.

<sup>2</sup> Does not include 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, 2019, 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 January 12, 2021. Our report includes a reference to other auditors who audited the financial statements of the Governmental Utility Services Corporation and the Bessemer Public Library, 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 material weaknesses: 19-1, 19-2, and 15-1.

### ***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***

#### ***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.

A stylized, handwritten signature in black ink that reads "The Principal & Associates". The script is cursive and somewhat bold, with the words "The", "Principal", and "Associates" clearly legible despite the cursive style.

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

January 12, 2021





**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, 2019. 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, 2019.

### ***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

June 24, 2019

## **SUPPLEMENTAL SCHEDULES**

**CITY OF BESSEMER, ALABAMA**  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2019

<b>FEDERAL GRANTOR, PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</b>	<b>CFDA Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Homeland Security</b>		
Passed through FEMA:		
Assistance for Firefighter	97.044	\$ 254,910
Passed through FEMA:		
Hazard Mitigation Grant Program	97.039	204,845
<b>U.S. Department of Justice</b>		
Passed through ADECA:		
Juvenile Justice Title II Formula Grant	16.540	32,778
COPS	16.710	186,349
Byrne Jag Program	16.738	39,148
Equitable Sharing Program	16.922	216,833
Bullet Proof Vest	16.607	3,056
<b>U.S. Department of Transportation</b>		
Passed through State of Alabama Highway Department (ATRIP):		
Highway Planning and Construction	20.205	913,965
<b>Executive Office of the President</b>		
Passed through the Alabama Department of Public Safety		
High intensity Drug Trafficking Areas Program	07.999	20,857
<b>U.S. Department of Housing and Urban Development</b>		
Community Development Block Grant	14.228	<u>1,658,666</u>
<b>Total Expenditures of Federal Awards</b>		<u><u>\$ 3,531,407</u></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, 2019

***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, 2019. 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, 2019

**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   X   No       

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 OMB Circular A - I33 Section .510 (a)

Yes        No   X  

Identification of major programs:

**CFDA Number (s)    Name of Federal Program or Cluster**

20.205            Highway Planning and Construction  
14.228            Community Development Block Grant

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, 2019

***Section II: Financial Statements Findings***

Finding 19-1                      Interdepartmental Transfers of Monies

*Condition:*                      The City has been recognizing certain transfers of monies from its Utility Department as revenue when in substance interdepartmental transfers are neither revenue or expenditures. One million dollars (\$1,000,000) was transferred from the Utility Department to the City for payment in lieu of taxes and another \$35,808 was transferred from the Utility Department to the City for .48 percent of the Mayor's salary since he serves as the Superintendent of the Utility Department. Both of these type transfers should not have been accounted for by the City as revenue.

*Criteria:*                      Interdepartmental transfers of monies between the City and the Utility Department should be accounted for as a transfer-out from the department releasing the monies and a transfer-in by the Department receiving the monies. Transfers should be accounted for on the Statement of Revenues, Expenditures, and Changes in Fund Balance under the captioned "Other Financing Sources (Uses)" which is a not a part of revenues or expenditures.

*Effect:*                      Revenues are erroneously overstated.

*Recommendation:*                      We recommend that transfers of monies from the Utility Department to the City for payments of \$1,000,000 in lieu of taxes and the \$35,808 .48 percent of the Mayor's salary be accounted for as transfers-in on the Statement of Revenues, Expenditures, and Changes in Fund Balance under the captioned "Other Financing Sources (Uses)" of the City's Fund financial statements.

*Corrective Action:*                      The Finance Director is currently establishing a process and procedures to discontinue accounting for transfers from the Utility Department to the City for the payments of \$1,000,000 in lieu of taxes and the \$35,808 .48 percent of the Mayor's salary as revenues. Transfers of this nature will now be accounted for on the Statement of Revenues, Expenditures, and Changes in Fund Balance under the captioned "Other Financing Sources (Uses)."



Finding 19-2

General Ledger Revenue not reconciled to the detail Subsidiary of Revenue Ledger

*Condition:*

The General Fund detail revenue report subsidiary ledger is not in balance with the general ledger/trial balance of the General Fund. The detail revenue report reflects total revenue of \$55,051,748 which differs significantly from the trial balance which reflects total revenue of \$55,762,010. The difference between the sets of accounting records is \$710,262 with the trial balance showing more. The two balances should be equal with no differences showing.

*Criteria:*

Revenues of the general ledger should be reconciled to the subsidiary ledger on a monthly basis.

*Effect:*

Accuracy in financial reporting is diminished when subsidiary ledgers are not properly reconciled to the general ledger.

*Recommendation:*

We recommend that the revenue report subsidiary ledger be reconciled on a monthly basis with the general ledger/trial balance of the General Fund.

*Corrective Action:*

The Finance Director is currently establishing a process and procedures to reconcile the revenue report subsidiary ledger to the general ledger/trial balance of the General Fund on a monthly basis.

Finding 15-1

Centralized Recordkeeping for Compensated Absences

*Condition:*

During our audit, we noted that there were no City-wide policies established for documenting compensated absences. Each department has a separate system for documenting employee leave time. The City's liability value of compensated absences was estimated for the fiscal year.

*Criteria:*

In financial reporting, accurate valuation of liabilities is vital to presenting financial statements that are materially correct. Compensated absences represent a large liability for the City and continual monitoring is essential to ensure that accurate records are maintained. Inaccurate tracking and accumulation can have an adverse effect on the financial position of the City.

*Effect:*

The lack of policies and procedures for documenting compensated absences increases the risk of error and/or fraud.

*Recommendation:*

We recommend that City-wide policies and procedures be implemented to document leave time and accrued compensated absences. We further recommend that the City track and record time for employees compensated absences through a centralized payroll software system that would allow each department to input the information and approvals for time off. With a digital centralized system, the Finance Department could more effectively monitor and evaluate compensated absences.

*Corrective Action:*

The City currently has time management software which has not been implemented City-wide. The Finance Director is currently working with the Information Technology Department, as well as other City administrators to implement this centralized time keeping system.

Finding 19-3

Electronic Municipal Market Access (EMMA) Compliance

<i>Condition:</i>	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.
<i>Criteria:</i>	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.
<i>Effect:</i>	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.
<i>Recommendation:</i>	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.
<i>Corrective Action:</i>	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 19-4

Capital Assets

*Condition:*

During our audit, we noted that the increase in capital asset per the detail general ledger accounts "capital outlay" by fund did not agree with the capital asset subsidiary records. The fund financial statements reported a total capital outlay expenditure of \$2,944,180 while the fixed asset subsidiary records accounted for \$2,680,521 in new capital assets for the fiscal year end. The difference between the two sets of accounting records is \$263,659 with the general ledgers account balance showing more. The two balances should be equal with no differences showing. Also, the city does not have an in-house computerized capital asset accounting system that would allow for the recording of all capital asset of the City in real-time which would greatly improve the financial accounting and internal controls over all the City's capital asset acquisitions, dispositions, and on-going construction projects.

*Criteria:*

Capital outlay expenditures of the general ledger should be reconciled to the fixed assets subsidiary records on a monthly basis.

*Effect:*

Accuracy in financial reporting is diminished when subsidiary ledgers are not properly reconciled to the general ledger.

*Recommendation:*

We recommend that the fixed asset subsidiary ledger be reconciled on a monthly basis with the capital outlay expenditures of the general ledgers of all governmental funds. We also highly recommend that the City install an in-house computerized capital asset accounting system that would allow for the recording of all capital asset of the City in real-time which would greatly improve the financial accounting and internal controls over all the City's capital asset acquisitions, dispositions, and on-going construction projects.

*Corrective Action:*

The Finance Director is currently establishing a process and procedures to reconcile the fixed asset subsidiary ledger on a monthly basis with the capital outlay expenditures of the general ledgers of all governmental funds. Also, the Finance Director has plans to implement an in-house computerized capital asset accounting system.

***Section III: Federal Awards Findings***

None