

**CITY OF BESSEMER,
ALABAMA
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2022
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, 2022**

MAYOR – KENNETH E. GULLEY

CITY COUNCIL

Cynthia S. Donald, President

Jesse Matthews

Latricia Crusoe, Pro Tempore

Ron Marshall

Donna Thigpen

Jarvis Collier

Kimberly Alexander

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
Bessemer, Alabama

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information of the City of Bessemer, Alabama (the "City"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Summary of Opinions

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

Qualified Opinion on the Aggregate Discretely Presented Component Units

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified and Unmodified Opinions" section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units City of Bessemer, Alabama, as of September 30, 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bessemer, Alabama, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We Work Hard to Give You Our Very Best

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Member of the Alabama Society of Certified Public Accountants

We did not audit the financial statements of the Bessemer Airport Authority (BAA) which represent .62 percent, (.41) percent, and 3.12 percent respectively, of the assets, net position, and revenues, of the City of Bessemer, Alabama, as of September 30, 2022 and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for Bessemer Airport Authority, are based solely on the report of the other auditors.

Basis for Qualified and Unmodified Opinions

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

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

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

Management's Responsibility for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

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

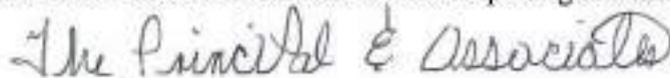
Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2023, on our consideration of the City of Bessemer, Alabama's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Bessemer, Alabama's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bessemer, Alabama's internal control over financial reporting and compliance.



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September 15, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

**CITY OF BESSEMER, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

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, 2022. 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 increased its outstanding Warrants Payable by \$6,280,000 in fiscal year 2022.
- The General Fund had an unassigned fund balance of \$ 21,349,006 in 2022.
- 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, 2022, by \$ (22,815,390) of this amount, \$ 797,865 is invested in capital assets, \$ 30,656,825 is restricted and a deficit of \$ \$ (54,270,080) is unrestricted.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$62,160,806.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

The Statement of Activities presents information on both the gross expenses and the net costs, as well as how the government's net position changed during the most recent fiscal year. This statement is intended to facilitate the user's analysis of the cost of various governmental functions and/or subsidy to business-type activities. Revenues and

**CITY OF BESSEMER, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

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 89).

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, 2022**

Component Units

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

Notes to the Financial Statements

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

Other Information

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

Government-Wide Financial Analysis

The City's Governmental Activities Net position may serve over time as a useful indicator of a government's financial position. In the case of the City's Governmental Activities, liabilities and deferred inflows exceeded assets and deferred outflows by \$(22,815,390) at the close of the most recent fiscal year.

**CITY OF BESSEMER, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

**CONDENSED STATEMENT OF NET POSITION
September 30, 2022 and 2021**

(in dollars)	Governmental Activities		Business-Type Activities		Total Primary Government		Total Component
							Units
	2022	2021	2022	2021	2022	2021	2022
Assets							
Current and Other							
Assets	68,436,324	51,500,947	40,822,230	41,584,970	109,258,554	93,085,917	4,763,492
Capital Assets (Net)	65,714,370	67,886,746	46,491,873	45,501,914	112,206,243	113,188,662	33,276,908
Total Assets	134,150,694	119,187,693	87,314,103	87,086,884	221,464,797	206,274,579	38,040,399
Deferred Outflows	22,081,046	21,548,054	4,242,990	4,467,155	26,324,036	26,015,209	1,245,857
Liabilities							
Current Liabilities	11,205,008	14,353,460	14,034,396	15,871,136	25,239,404	30,224,596	3,061,267
Long-Term Liabilities	156,580,149	147,457,701	55,032,422	56,944,468	211,612,571	204,402,167	45,997,925
Total Liabilities	167,785,157	161,811,161	69,066,818	72,815,602	236,851,975	234,626,763	49,059,192
Deferred Inflows	11,261,973	5,624,598	2,851,408	1,101,923	14,113,381	6,726,521	137,660
Net Position							
Invested in Capital Assets	797,865	65,830,966	22,195,434	21,425,341	22,993,299	87,256,307	(14,199,280)
Restricted	30,656,825	5,371,030	12,817,903	12,547,524	43,474,728	17,918,554	2,463,841
Unrestricted	(64,270,080)	(107,902,006)	(15,192,470)	(16,336,351)	(69,462,550)	(114,238,357)	1,824,842
Total Net Position	(22,815,390)	(36,700,010)	19,820,867	17,636,514	(2,994,523)	(9,063,495)	(9,910,597)

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

The City's Total Primary Government Net Position decreased by \$(2,994,523) during the fiscal year ended September 30, 2022.

Government Activities

The City's Government Activities Net Position for governmental activities increased by \$4,968,554. This increase was the result of a variety of factors, including an increase in Grant Awards.

**CITY OF BESSEMER, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

Business Type Expenses

The City's net position for business-type activities increased by \$5,115,629.

**CONDENSED STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
For the years ended September 30, 2022 and 2021**

(in dollars)	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Total</u>
							<u>Component</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>Units</u>
Revenues							
Program Revenues:							
Charges for Services Operating	2,412,452	2,502,123	58,574,890	52,996,119	60,987,342	55,498,242	10,340,220
Grants	8,640,029	8,078,425			8,640,029	8,078,425	-
Capital Grants	1,592,641	1,367,327			1,592,641	1,367,327	2,089,068
General Revenues:							
Property Taxes	8,638,039	8,432,531			8,638,039	8,432,531	-
Sales Taxes	41,257,160	40,221,188			41,257,160	40,221,188	-
Occupational Taxes	10,278,141	8,993,175			10,278,141	8,993,175	-
Investment Earnings	28,558	372	213	95	28,769	467	3,885
Other	13,127,344	11,087,676	-	(1,294,357)	13,127,344	9,793,319	56,587
Total Revenues	66,174,382	82,682,817	58,575,103	51,701,857	144,749,405	132,384,874	12,489,758
Expenses							
Governmental Activities:							
General Government	24,525,879	14,876,363			24,525,879	14,876,363	-
Public Improvements	16,268,540	13,131,418			16,268,540	13,131,418	-
Public Safety	31,871,918	27,180,513			31,871,918	27,180,513	-
Cultural and Recreation	7,266,176	6,527,492			7,266,176	6,527,492	-
Interest on Long-Term Debt and Capital Lease	1,273,295	2,574,559			1,273,295	2,874,559	-
Business-Type Activities:							
Electric			34,813,642	30,617,682	34,813,642	30,617,682	-
Water			18,412,018	17,916,746	18,412,018	17,916,746	-
Civic Center			233,814	132,836	233,814	132,836	-
Component Units Activities:							

**CITY OF BESSEMER, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

	GUSC							
	Bessemer Airport Authority							6,717,151
	Total Expenses							4,885,219
		81,205,808	84,230,345	53,459,474	48,667,264	134,665,282	112,957,609	11,582,370
Change in Net Position		4,968,554	16,392,472	5,115,629	3,034,593	10,084,183	19,427,065	907,388
Beginning Net Position		(26,700,010)	(42,760,626)	17,636,514	15,778,420	(9,063,496)	(26,982,206)	(10,817,985)
Prior Period Adjustment		(1,083,834)	(331,856)	(2,831,275)	(1,176,989)	(6,015,210)	(1,508,356)	-
Ending Net Position		(22,815,390)	(26,700,010)	19,820,867	17,636,514	(2,994,523)	(8,063,496)	(9,910,597)

Governmental Activities

The City's governmental fund balances increased \$20,605,949 from \$41,554,857 in the prior fiscal year to \$62,160,806 in fiscal year 2022.

The City had an unassigned fund balance at the end \$21,349,006 at the end of fiscal year 2022. This unassigned fund balance is a good indicator of the City's ability to meet its' current obligations.

Fund Financial Analysis

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

Governmental Funds

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

**CITY OF BESSEMER, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

Changes in fund balances for governmental funds for the fiscal year ended September 30, 2022, are as follows:

Governmental Funds			
Fund Balances			
As of September 30, 2022, and 2021			
	Fund Balance	Increase	Fund Balance
	2021	(Decrease)	2022
General Fund	\$ 26,183,827	\$ 5,320,154	\$ 31,503,981
Capital Projects Fund	15,854	8,931,098	8,946,952
Special Revenue	13,918,006	7,262,866	21,180,872
Debt Service	<u>1,437,170</u>	<u>(907,959)</u>	<u>529,201</u>
Total Fund Balance	<u>\$ 41,554,857</u>	<u>\$ 20,605,949</u>	<u>\$ 62,160,806</u>

Proprietary Funds			
Net Position			
As of September 30, 2022, and 2021			
	Net Position	Increase	Net Position
	2021	(Decrease)	2022
Electric	\$ 12,838,020	\$ (634,145)	\$ 12,203,875
Water	2,325,636	5,745,815	8,071,451
Civic Center	<u>(458,418)</u>	<u>3,959</u>	<u>(454,459)</u>
Total Net Position	<u>\$ 14,705,238</u>	<u>\$ 5,115,629</u>	<u>\$ 19,820,867</u>

Budget Variances in			
General Fund Budget			
For Year Ended September 30, 2022			
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Assigned Funds on Hand	\$ 2,006,152	\$ -	\$ (2,006,152)
Revenues	<u>64,852,730</u>	<u>68,111,238</u>	<u>3,258,508</u>
Total	64,852,730	68,111,238	1,262,366
Expenditures	<u>65,888,730</u>	<u>59,750,088</u>	<u>6,138,644</u>
Over/Under Revenue	(1,036,000)	8,361,152	7,391,000
Other Financing Sources	<u>1,036,000</u>	<u>(3,040,998)</u>	<u>(4,076,998)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 5,320,154</u>	<u>\$ 3,314,002</u>

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

**CITY OF BESSEMER, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

During fiscal year 2022 fiscal year, actual revenues, excluding funds on hand, exceeded actual expenses by \$8,361,152 . This is due to multiple variables such slight increases in sales tax revenue and occupational tax revenue, as well as management's ability to operate within allocated budgets.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets Activity

The City's investment in capital assets as of September 30, 2022, amounts to \$65,714,370 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, 2022 and 2021**

(in dollars)	Total					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Primary Government</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	1,325,177	1,325,177	531,764	476,854	1,858,941	1,802,031
Construction in Progress	2,859,256	2,837,396	9,972,212	7,796,006	12,831,468	10,633,402
Property Held for Sale	363,921	256,552	-	-	363,921	256,552
Buildings and Capital Facilities	32,385,379	36,482,712	5,136,290	5,097,014	37,521,669	41,579,725
Furniture and Fixtures	26,300,725	23,955,634	9,003,752	8,855,453	35,304,477	32,811,087
Plant Equipment	-	-	76,397,860	75,832,007	76,397,860	75,832,007
Infrastructure	<u>42,000,251</u>	<u>40,605,319</u>	-	-	<u>42,000,251</u>	<u>40,605,319</u>
Total Capital Assets	105,234,709	105,462,790	101,041,898	98,057,334	206,276,607	203,520,124
Less: Accumulated Depreciation	<u>(39,520,339)</u>	<u>(35,712,114)</u>	<u>(54,550,025)</u>	<u>(50,599,215)</u>	<u>(94,070,364)</u>	<u>(86,311,329)</u>
Net Capital Assets	<u>65,714,370</u>	<u>69,750,676</u>	<u>46,491,873</u>	<u>47,458,119</u>	<u>112,206,243</u>	<u>117,208,795</u>

**CITY OF BESSEMER, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

Long-Term Debt Activity

OUTSTANDING DEBT

September 30, 2022 and 2021

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Primary Government</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Warrants Payable	61,505,000	55,225,000	32,735,000	35,260,364	94,240,000	90,485,364
Capital Leases	1,607,810	1,855,782	48,601	95,427	1,656,411	1,951,209
OPEB Liability	38,809,961	32,386,984	6,852,708	6,852,708	45,662,669	39,239,692
Net Pension Obligation	50,635,034	55,775,318	11,002,256	12,119,166	61,637,290	67,894,484
Compensated Absences	6,753,834	6,365,711	1,373,031	1,647,370	8,126,865	6,013,081
Other	<u>238,905</u>	<u>266,845</u>	-	-	<u>238,905</u>	<u>266,845</u>
Total Outstanding Debt	<u>159,550,544</u>	<u>151,875,640</u>	<u>52,011,596</u>	<u>55,875,035</u>	<u>211,562,140</u>	<u>207,850,675</u>

Economic Factors Affecting the City of Bessemer and the 2022 Budget and Debt Information

The City of Bessemer ended 2022 on a high note economically,

Amazon expanded its Robotics Fulfillment Center in Bessemer. The facility employed upwards of 5,000 full and part-time workers, making it the largest employer in the city. Wages at the facility start at \$18 an hour.

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

Carvana, Lowe's Home Improvement and FedEx each have fully operating distribution centers in Bessemer. The facilities employ an estimated 1,100 people. The FedEx facility span the jurisdictional lines between Bessemer and the city of Birmingham.

The number of persons employed in various occupations in Bessemer has risen from 14,967 in 2008 to more than 17,837 in 2022. These numbers do not include the full number of workers employed at Amazon's facility on Powder Plant Road as of December 2020 or the new employees connected with the upcoming distribution centers at Carvana, Lowe's and FedEx.

The numbers of Bessemer residents employed in various occupations stood at 9,884 in December 2022, according to Census estimates. This is slightly less than the 10,970 persons living in Bessemer who were employed in 2010. However, these figures do not account for the loss in the overall population in the city between 2020 and the most recent Census estimates. The city's population in 2020 was 26,031 and is estimated at 25,264 in 2022.

**CITY OF BESSEMER, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

Bessemer ended 2022 with a labor force participation rate of 49.9 percent. The unemployment rate in the city was 4.00 percent as of December 2022, according to the Alabama Department of Labor. This is lower than the 3.9 percent rate in December 2021, according to the agency.

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

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

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

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

The City anticipates continued economic growth in 2022 and will continue to explore ways to attract new business and industry into its corporate limits. The demand for housing for these workers is already emerging in the city's planning efforts. Bessemer is open for business and wants to retain a solid reputation of being business-friendly and a great place to call home.

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 2022 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 2021-2022 was passed for \$66,924,730.

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, 2022, amounted to \$65,714,370, 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 \$ 71,670,339 at the end of fiscal year 2022. Long-term debt includes warrants payable, capital lease payable, and compensated absences. The City increased its governmental activities long-term debt by \$ 6,280,000 during fiscal year 2022.

Bessemer Utilities – Electric

During fiscal year 2022, the Electric Service continued its' upgrade of transmission lines and maintenance of substations and equipment.

Bessemer Utilities – Water

During fiscal year 2022, Bessemer Water Service continues to evaluate its need for capital improvements, including its purchase of plant equipment necessary to increase operating efficiency. Furthermore, Bessemer Water continued its' efforts to undertake minor and some major infrastructure improvements in Bessemer, Ross Bridge, Alabaster, Midfield, Hueytown, and other service areas. The projects, as approved, are closely aligned with the efficiency and

**CITY OF BESSEMER, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

safety of our area's infrastructure. Bessemer Water has included in its 2022 budget, scheduled tank improvements per its tank repair/maintenance plan. Other projected 2022 plans consist of upgrades identified by City engineers, as necessary to provide for additional growth in the system, as well as increase the reliability and the level of service to the existing City customers. The 2022 projects included completion of (a) a new water tank on 15th Street, (b) pumping capacity upgrades to the Maxwell and Eastern Valley booster pump stations, and (c) piping upgrades for the Maxwell and Eastern booster pump stations.

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

Request for Information

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

BASIC FINANCIAL STATEMENTS

THE CITY OF BESSEMER, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	<u>Governmental</u> <u>Activities</u>	<u>Business - Type</u> <u>Activities</u>	<u>Total</u>	<u>Component</u> <u>Units</u>
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 60,363,111	\$ 6,711,609	\$ 67,074,720	\$ 752,577
Cash and cash equivalents - Restricted	539,688	12,873,052	13,412,740	3,129,217
Accounts Receivable				
Accounts	4,811,434	12,060,402	16,871,836	739,753
Accounts Receivable from Other Governments	161,110		161,110	
Loans Receivable	1,290,533		1,290,533	
Due from Proprietary Funds	541,473	7,782,165	8,323,638	
Due from Other Funds and Governments	-		-	
Inventories	-	1,269,810	1,269,810	57,804
Prepaid Expenses	321,197	125,192	446,389	84,141
Total Current Assets	<u>68,028,546</u>	<u>40,822,230</u>	<u>108,850,776</u>	<u>4,763,492</u>
Noncurrent Assets				
Capital assets:				
Nondepreciable				
Land	1,325,177	531,764	1,856,941	3,073,353
Property Held for Resale	363,921		363,921	
Construction in Progress	2,859,256	9,972,212	12,831,468	163,648
Depreciated				
Building and Capital Facilities	32,385,379	90,404,726	122,790,105	51,232,095
Furniture and Other Equipment	26,300,725		26,300,725	1,471,772
Infrastructure	42,000,251		42,000,251	1,797,802
Accumulated Depreciation	(39,520,339)	(54,416,829)	(93,937,168)	(24,461,764)
Total Capital Assets	<u>65,714,370</u>	<u>46,491,873</u>	<u>112,206,243</u>	<u>33,276,906</u>
Other Assets				
Deferred Loans Receivable	407,778		407,778	
Total NonCurrent Assets	<u>66,122,148</u>	<u>46,491,873</u>	<u>112,614,021</u>	<u>33,276,906</u>
Total Assets	<u>134,150,694</u>	<u>87,314,103</u>	<u>221,464,797</u>	<u>38,040,398</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows Related to Pension Liability	10,124,535	2,083,420	12,207,955	260,073
Deferred Outflows Related to OPEB Liability	5,906,852	1,279,489	7,186,341	-
Deferred Charge on refunding of Debt	3,304,258	1,062,081	4,366,339	985,784
Deferred charge on Acquisition	2,745,401		2,745,401	-
TOTAL OUTFLOWS OF RESOURCES	<u>22,081,046</u>	<u>4,424,990</u>	<u>26,506,036</u>	<u>1,245,857</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 156,231,740</u>	<u>\$ 91,739,093</u>	<u>\$ 247,970,833</u>	<u>\$ 39,286,255</u>

See independent auditors' report and notes to financial statements.

THE CITY OF BESSEMER, ALABAMA
STATEMENT OF NET POSITION - CONTINUED
SEPTEMBER 30, 2022

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>	<u>Component Units</u>
LIABILITIES				
Current Liabilities				
Account payable	\$ 5,739,179	\$ 7,973,634	\$ 13,712,813	\$ 626,642
Accrued payroll and payroll taxes payable	536,338		536,338	
Accrued interest	155,401		155,401	694,207
Due to other funds	-	4,732,476	4,732,476	
Other liabilities			-	21,659
Current Maturities of Long-term liabilities:				
Compensated absences	1,080,613	219,685	1,300,298	
Capital lease payable	253,477	48,601	302,078	
Bonds and Warrants payable	3,440,000	1,060,000	4,500,000	1,718,759
Total Current Liabilities	<u>11,205,008</u>	<u>14,034,396</u>	<u>25,239,404</u>	<u>3,061,267</u>
Noncurrent Liabilities				
Capital lease payable	1,354,333	-	1,354,333	
OPEB liability	38,809,961	6,852,708	45,662,669	
Net Pension obligation	50,635,034	11,002,256	61,637,290	240,498
Compensated absences	5,673,221	1,153,346	6,826,567	
Bonds and Warrants payable	59,868,695	33,131,011	92,999,706	45,757,427
Closure and postclosure costs	238,905		238,905	
Other liabilities	-	2,893,101	2,893,101	
Total Noncurrent Liabilities	<u>156,580,149</u>	<u>55,032,422</u>	<u>211,612,571</u>	<u>45,997,925</u>
Total Liabilities	<u>167,785,157</u>	<u>69,066,818</u>	<u>236,851,975</u>	<u>49,059,192</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows Related to Pension Liability	8,085,778	1,756,922	9,842,700	137,660
Deferred Inflows Related to OPEB Liability	3,176,195	1,094,486	4,270,681	
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>11,261,973</u>	<u>2,851,408</u>	<u>14,113,381</u>	<u>137,660</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>179,047,130</u>	<u>71,918,226</u>	<u>250,965,356</u>	<u>49,196,852</u>
NET POSITION				
Invested in capital assets, net of related debt	797,865	22,195,434	22,993,299	(14,199,280)
Restricted for:				
Debt service	529,201	12,817,903	13,347,104	2,463,841
Capital projects	8,946,952		8,946,952	
Community development loans	2,236,868		2,236,868	
Special projects	18,943,804		18,943,804	
Unrestricted	(54,270,080)	(15,192,470)	(69,462,550)	1,824,842
Total Net Position	<u>(22,815,390)</u>	<u>19,820,867</u>	<u>(2,994,523)</u>	<u>(9,910,597)</u>
Total Liabilities and Net Position	<u>\$ 156,231,740</u>	<u>\$ 91,739,093</u>	<u>\$ 247,970,833</u>	<u>\$ 39,286,255</u>

See independent auditors' report and notes to financial statements.

THE CITY OF BESSEMER, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

ACTIVITIES:	Expenses	PROGRAMS REVENUES			Net (Expense)	Business - Type Activities	Total	Component Unit
		Fines, Fees, and Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Revenues and Changes in Net Position			
					Governmental Activities			
Governmental Activities:								
General Government	\$ 24,525,879	\$ 244,144	7,003,537	\$ 1,592,641	\$ (15,685,557)		\$ (15,685,557)	
Law enforcement	17,317,752	925,647	352,492		(16,039,613)		(16,039,613)	
Fire department	14,554,166	-	1,284,000		(13,270,166)		(13,270,166)	
Public Improvements	16,268,540	-	-		(16,268,540)		(16,268,540)	
Health, welfare, and public services	2,392,185	175,126			(2,217,059)		(2,217,059)	
Recreation	4,873,991	1,067,535			(3,806,456)		(3,806,456)	
Interest on long-term debt	1,273,295				(1,273,295)		(1,273,295)	
Total government activities	<u>81,205,808</u>	<u>2,412,452</u>	<u>8,640,029</u>	<u>1,592,641</u>	<u>(68,560,686)</u>	<u>-</u>	<u>(68,560,686)</u>	
Business - Type Activities:								
Civic Center	233,814	237,560		-		3,746	3,746	
Electric Service	33,860,035	34,179,497		-		319,462	319,462	
Water Service	18,412,018	24,157,833		-		5,745,815	5,745,815	
Total Business - Type Activities	<u>52,505,867</u>	<u>58,574,890</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,069,023</u>	<u>6,069,023</u>	
Total Primary Government Activities	<u>133,711,675</u>	<u>60,987,342</u>	<u>8,640,029</u>	<u>1,592,641</u>	<u>(68,560,686)</u>	<u>6,069,023</u>	<u>(62,491,663)</u>	
Component Units								
Government Utility Service Corporation	6,717,151	7,596,716		-				879,565
Bessemer Airport Authority	4,865,219	2,743,504		2,089,066				(32,649)
	<u>\$ 11,582,370</u>	<u>\$ 10,340,220</u>	<u>\$ -</u>	<u>\$ 2,089,066</u>				<u>846,916</u>
General Revenues								
Sales and use taxes				41,257,160			41,257,160	
Occupational tax				10,278,141			10,278,141	
Real and personal property tax				8,838,039			8,838,039	
Other taxes				2,663,012			2,663,012	
Business license and permits				5,572,243			5,572,243	
Franchise fees				211,976			211,976	
Other income				3,726,506			3,726,506	
City Allocation				-			-	60,000
Unrestricted investment earnings				28,556	213		28,769	3,885
Transfers In (Out)				953,607	(953,607)		-	
Loss on disposal of assets				-			-	(3,413)
Total General Revenues				<u>73,529,240</u>	<u>(953,394)</u>		<u>72,575,846</u>	<u>60,472</u>
Change in Net Position				4,968,554		5,115,629	10,084,183	907,388
Net Position -Beginning				(26,700,010)		17,636,514	(9,063,496)	(10,817,985)
Prior Period Adjustment				(1,083,934)		(2,931,276)	(4,015,210)	-
Net Position - Ending				<u>\$ (22,815,390)</u>	<u>\$ 19,820,867</u>	<u>\$ (2,994,523)</u>	<u>\$ (9,910,597)</u>	

THE CITY OF BESSEMER, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

ASSETS	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals Governmental Funds
Cash and Cash Equivalents	\$ 28,648,567		\$ 31,714,544	\$ 60,363,111
Cash with Escrow Agents		\$ 529,201	10,487	539,688
Accounts Receivable	4,602,975		208,459	4,811,434
Accounts Receivable from Other Government	161,110			161,110
Loans Receivable			1,290,533	1,290,533
Due from Other Funds	3,046,244		315,033	3,361,277
Due from Proprietary Funds	541,473			541,473
Inventory	-			-
Prepaid Expenses	321,197			321,197
Deferred Loans Receivable	-		407,778	407,778
Total Assets	37,321,566	529,201	33,946,834	71,797,601
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts and Vouchers Payable	4,970,964		768,215	5,739,179
Accrued Payroll and Payroll Taxes Payable	536,338			536,338
Due to Other Funds and Governments	310,283		3,050,995	3,361,278
Total Liabilities	5,817,585	-	3,819,210	9,636,795
Fund Balances				
Nonspendable	321,197			321,197
Restricted	12,900	529,201	30,127,624	30,669,725
Committed	4,275,631			4,275,631
Assigned	5,545,247			5,545,247
Unassigned	21,349,006	-	-	21,349,006
Total fund balance	31,503,981	529,201	30,127,624	62,160,806
Total Liabilities and Fund Balances	\$ 37,321,566	\$ 529,201	\$ 33,946,834	\$ 71,797,601

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, 2022**

Total fund balances-governmental funds \$ 62,160,806

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	363,921	
Construction in progress	2,859,256	
Buildings and capital facilities	32,385,379	
Furniture and fixtures	26,300,725	
Infrastructure	42,000,251	
Accumulated depreciation	<u>(39,520,339)</u>	
Total capital assets		65,714,370

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, 2022 were:

Warrants payable	61,505,000	
Unamortized premium	1,803,695	
Unamortized discount	-	
Deferred charge on refunding of debt	(3,304,258)	
Deferred charge on acquisition	(2,745,401)	
Accrued Interest	155,401	
Closure and postclosure costs	238,905	
Net pension obligation	50,635,034	
Deferred outflow related to pension liability	(10,124,535)	
Deferred inflow related to pension liability	8,085,778	
OPEB liability	38,809,961	
Deferred outflow related to OPEB liability	(5,906,852)	
Deferred inflow related to OPEB liability	3,176,195	
Compensated absences	6,753,834	
Capital lease payable	<u>1,607,810</u>	
Total long-term liabilities		<u>(150,690,567)</u>

Net position of governmental activities \$ (22,815,390)

See independent auditors' report and notes to financial statements.

THE CITY OF BESSEMER, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals Governmental Funds
REVENUES:				
Taxes	\$ 59,231,017	\$ 764,282	3,063,437	\$ 63,058,736
License and permits	5,572,243			5,572,243
Grants and intergovernmental	1,541,412		8,696,917	10,238,329
Charges and fees for services	1,319,064		1,099,122	2,418,186
Franchise fees	211,976			211,976
Investment Income	196	1,605	26,755	28,556
Other	235,330		1,413,135	1,648,465
Total Revenues	68,111,238	765,887	14,299,366	83,176,491
EXPENDITURES:				
Current operations:				
General government	11,787,528	1,224,388	4,838,243	17,850,159
Law enforcement	12,801,036		1,564,881	14,365,917
Fire protection	12,366,511			12,366,511
Public Improvement	12,626,818		212,716	12,839,534
Health, welfare, and public services	2,392,185		-	2,392,185
Recreation	3,395,291		-	3,395,291
Capital outlay	4,092,481		195,226	4,287,707
Debt Service:				
Principal payments	247,972	55,965,000		56,212,972
Interest and fiscal charges	40,264	948,003		988,267
Total Expenditures	59,750,086	58,137,391	6,811,066	124,698,543
Excess of Revenues Over (Under) Expenditures	8,361,152	(57,371,504)	7,488,300	(41,522,052)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,227,693	4,189,819	11,193,251	16,610,763
Transfers out	(4,268,691)	(8,900,678)	(2,487,787)	(15,657,156)
Payments to Escrow Agent		(3,114,870)		(3,114,870)
Premium on General Obligation Warrants		2,044,264		2,044,264
Proceeds from Long-term borrowings	-	62,245,000	-	62,245,000
Total other financing Sources (Uses)	(3,040,998)	56,463,535	8,705,464	62,128,001
Net Change in Fund Balances	5,320,154	(907,969)	16,193,764	20,605,949
Fund Balance -Beginning	26,206,211	1,437,170	13,933,860	41,577,241
Prior Period Adjustment	(22,384)			(22,384)
Fund Balance - Ending	\$ 31,503,981	\$ 529,201	\$30,127,624	\$ 62,160,806

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, 2022**

Net change in fund balances-total governmental funds	\$ 20,605,949
Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Position.	4,287,707
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.	(3,364,783)
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	55,965,000
Capital leases payable	<u>247,972</u>
Total repayments	56,212,972
The issuance of long-term debt(e.g., warrants, bonds, and leases) provides current financial resources to government funds, while repayment of principal of long-term debt consumes the current financial resources of governmental funds.	
Warrants payable	(62,245,000)
Capital lease financing	
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	(375,049)
Amortization of bond premium	245,422
Amortization of deferred charge on debt refunding	(1,398,749)
Amortization of deferred charge on acquisition of District and CDA	(442,328)
Amortization of landfill postclosure costs	(27,940)
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	(155,401)
Change in net pension obligation	(2,962,118)
Change in net OPEB obligation	(5,024,005)
Compensated absences	(388,123)
Change in net position governmental activities	<u>\$ 4,968,554</u>

See independent auditors' report and notes to financial statements.

**THE CITY OF BESSEMER, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2022**

	Bessemer Electric Service	Bessemer Water Service	Civic Center	Total Proprietary Funds
ASSETS				
CURRENT ASSETS				
Cash on deposit	\$ 548,909	\$ 6,103,119	\$ 59,581	\$ 6,711,609
Cash on deposit - restricted	1,797,321	2,561,021		4,358,342
Certificate of deposit - restricted	55,150			55,150
Investments - restricted		8,459,560		8,459,560
Accounts receivable	10,826,471	1,233,931		12,060,402
Merchandising, jobbing, and other receivables	-			-
Due from other funds	-	7,782,165		7,782,165
Materials and supplies	748,325	521,485		1,269,810
Prepaid expenses	125,192	-		125,192
Total current assets	14,101,368	26,661,281	59,581	40,822,230
CAPITAL ASSETS				
Land held for future use	318,814	212,950		531,764
Construction in progress		9,972,212		9,972,212
Building and capital facilities	49,163,580	37,398,043	3,843,103	90,404,726
Less accumulated depreciation	(26,956,785)	(23,646,516)	(3,813,528)	(54,416,829)
TOTAL CAPITAL ASSETS, NET	22,525,609	23,936,689	29,575	46,491,873
TOTAL ASSETS	36,626,977	50,597,970	89,156	87,314,103
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension liability	1,011,383	1,072,037		2,083,420
Deferred charge on other than pension benefits	523,981	755,508		1,279,489
Deferred charge on refunding of debt	328,780	733,301	-	1,062,081
	1,864,144	2,560,846	-	4,424,990
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 38,491,121	\$ 53,158,816	\$ 89,156	\$ 91,739,093

See independent auditors' report and notes to financial statements.

THE CITY OF BESSEMER, ALABAMA
STATEMENT OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
SEPTEMBER 30, 2022

	<u>Bessemer Electric Service</u>	<u>Bessemer Water Service</u>	<u>Civic Center</u>	<u>Total Proprietary Funds</u>
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 3,026,438	\$ 1,054,895	\$ 2,142	\$ 4,083,475
Payable to other municipalities		3,890,159		3,890,159
Current maturities of revenue warrants	495,000	565,000		1,060,000
Capital lease obligation	48,601	-		48,601
Compensated absences	80,566	139,119		219,685
Due to other funds	4,191,003	-	541,473	4,732,476
Total current liabilities	<u>7,841,608</u>	<u>5,649,173</u>	<u>543,615</u>	<u>14,034,396</u>
OTHER LIABILITIES				
Revenue warrants, less current portion	6,649,814	26,481,197		33,131,011
Capital lease obligation	-	-		-
Compensated absences	422,971	730,375		1,153,346
Customer deposits	2,893,101			2,893,101
Net pension obligations	4,505,686	6,496,570		11,002,256
OPEB liability	2,806,347	4,046,361		6,852,708
Other liabilities			-	-
Total other liabilities	<u>17,277,919</u>	<u>37,754,503</u>	<u>-</u>	<u>55,032,422</u>
TOTAL LIABILITIES	<u>25,119,527</u>	<u>43,403,676</u>	<u>543,615</u>	<u>69,066,818</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension liability	719,501	1,037,421		1,756,922
Deferred charge on other than pension benefits	448,218	646,268		1,094,486
NET POSITION				
Investment in capital assets, net of related debt	15,157,008	7,008,851	29,575	22,195,434
Restricted	1,797,322	11,020,581		12,817,903
Unrestricted (deficit)	(4,750,455)	(9,957,981)	(484,034)	(15,192,470)
Total Net Position	<u>12,203,875</u>	<u>8,071,451</u>	<u>(454,459)</u>	<u>19,820,867</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 38,491,121</u>	<u>\$ 53,158,816</u>	<u>\$ 89,156</u>	<u>\$ 91,739,093</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, 2022

	Bessemer Electric Service	Bessemer Water Service	Civic Center	Total Proprietary Funds
OPERATING REVENUES				
Service fees	\$ 33,623,230	\$ 23,229,927	\$ 237,560	\$ 57,090,717
Other	556,267	927,906	-	1,484,173
Total operating revenues	<u>34,179,497</u>	<u>24,157,833</u>	<u>237,560</u>	<u>58,574,890</u>
OPERATING EXPENSES				
Direct cost of services	25,032,435	7,585,800		32,618,235
Power and pumping		837,685		837,685
Distribution - operations and maintenance	4,196,420	4,203,786	79,372	8,479,578
Customer accounting and collection	1,216,719	1,257,576		2,474,295
Bad debt expense	-	-		-
Administrative and General	1,853,222	2,083,647	153,508	4,090,377
Depreciation expense	1,004,689	910,430	934	1,916,053
Tax Equivalents	-	-		-
Payroll taxes	226,729	462,297		689,026
Total operating expenses	<u>33,530,214</u>	<u>17,341,221</u>	<u>233,814</u>	<u>51,105,249</u>
OPERATING INCOME	<u>649,283</u>	<u>6,816,612</u>	<u>3,746</u>	<u>7,469,641</u>
NONOPERATING INCOME (EXPENSES)				
Interest income	9,530	18,605	213	28,348
Interest expense	(296,052)	(1,117,406)		(1,413,458)
Amortization of bond costs	(43,299)	28,004		(15,295)
Total nonoperation income (expenses)	<u>(329,821)</u>	<u>(1,070,797)</u>	<u>213</u>	<u>(1,400,405)</u>
Income before transfers	319,462	5,745,815	3,959	6,069,236
Transfers - out	<u>(953,607)</u>	<u>-</u>	<u>-</u>	<u>(953,607)</u>
CHANGE IN NET POSITION	<u>(634,145)</u>	<u>5,745,815</u>	<u>3,959</u>	<u>5,115,629</u>
PRIOR PERIOD CORRECTION	<u>(834,533)</u>	<u>(2,057,466)</u>	<u>(39,277)</u>	<u>(2,931,276)</u>
NET POSITION AT BEGINNING OF YEAR	<u>13,672,553</u>	<u>4,383,102</u>	<u>(419,141)</u>	<u>17,636,514</u>
NET POSITION AT END OF YEAR	<u>\$ 12,203,875</u>	<u>\$ 8,071,451</u>	<u>\$ (454,459)</u>	<u>\$ 19,820,867</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, 2022**

	Bessemer Electric Service	Bessemer Water Service	Civic Center	Total Proprietary Funds
INCREASE (DECREASE) IN CASH ON DEPOSIT				
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 35,050,478	\$ 23,508,938	\$ 240,580	\$ 58,799,996
Cash payments to employees for services	(3,806,482)	(3,862,036)		(7,668,518)
Cash paid to suppliers for goods and services	(31,909,218)	(11,636,224)	(232,780)	(43,778,222)
Net cash provided by operating activities	(665,222)	8,010,678	7,800	7,353,256
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal payments on warrants	(480,000)	(565,000)		(1,045,000)
Principal payments on capital lease	(46,826)			(46,826)
Interest paid	(296,053)	(1,117,405)	-	(1,413,458)
Net cash used by capital and related financing activities	(822,879)	(1,682,405)	-	(2,505,284)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(411,653)	(6,600,429)	(30,509)	(7,042,591)
Investment in restricted accounts				-
Interest received	9,830	18,605	213	28,648
Net cash provided (used) by investing activities	(401,823)	(6,581,824)	(30,296)	(7,013,943)
NET INCREASE (DECREASE) IN CASH ON DEPOSIT	(1,889,924)	(253,551)	(22,496)	(2,165,971)
CASH ON DEPOSIT AT BEGINNING OF THE YEAR	4,236,154	8,917,691	82,077	13,235,922
CASH ON DEPOSIT AT END OF THE YEAR	\$ 2,346,230	\$ 8,664,140	\$ 59,581	\$ 11,069,951
CASH ON DEPOSIT CONSISTED OF THE FOLLOWING:				
Current assets	\$ 548,909	\$ 6,103,119	\$ 59,581	6,711,609
Restricted assets	1,797,321	2,561,021		4,358,342
Total	\$ 2,346,230	\$ 8,664,140	\$ 59,581	\$ 11,069,951

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, 2022**

	Bessemer Electric Service	Bessemer Water Service	Civic Center	Total Proprietary Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
OPERATING INCOME (LOSS)	\$ 714,950	\$ 6,816,612	\$ 3,746	\$ 7,535,308
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Depreciation	1,004,689	910,430	934	1,916,053
Bad debts	-	-	-	-
Changes in assets and liabilities:				
Accounts receivable	870,987	(648,877)	3,020	225,130
Prepaid expenses	(11,208)	-	-	(11,208)
Due from other funds	(548,206)	(240,601)	-	(788,807)
Inventories	(591,096)	(113,159)	-	(704,255)
Deferred outflows of pension resources	20,843	43,326	-	64,169
Deferred benefit outflows other than pension resources	-	-	-	-
Accrued interest payable	(1)	1	-	-
Accounts payable	672,770	(248,405)	100	424,465
Salaries and wages payable	(9,343)	12,522	-	3,179
Compensated Absences	(198,710)	(75,628)	-	(274,338)
Due to other funds	(3,443,215)	-	-	(3,443,215)
Customer Deposits	593,264	1,180,936	-	1,774,200
Payable to other municipalities	-	-	-	-
Deferred inflows of pension resources	716,455	1,033,030	-	1,749,485
Other employee pension benefits (OPEB) liability	-	-	-	-
Deferred benefit inflows other than pension resources	-	-	-	-
Net pension liability	(457,401)	(659,509)	-	(1,116,910)
Total adjustments	(1,380,172)	1,194,066	4,054	(182,052)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (665,222)	\$ 8,010,678	\$ 7,800	\$ 7,353,256
SUPPLEMENTAL DISCLOSURE OF NONCASH AND RELATED FINANCING ACTIVITIES				
Decrease in original debt discount cost	\$ 15,315			
Decrease in original premium on debt issuance		\$ (64,668)		
Decrease in original loss on refunding of debt	\$ 27,984	\$ 36,664		

See independent auditors' report and notes to financial statements.

**THE CITY OF BESSEMER, ALABAMA
STATEMENT OF NET POSITION
COMPONENT UNITS
SEPTEMBER 30, 2022**

	Governmental Utility Services Corp	Bessemer Airport Authority	Total Component Units
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ 42,367	\$ 710,210	\$ 752,577
Cash and investments - restricted	3,129,217		3,129,217
Accounts receivable, net allowance for uncollectible accounts	313,248	426,505	739,753
Inventory		57,804	57,804
Other current assets	74,892	9,249	84,141
Total current assets	3,559,724	1,203,768	4,763,492
CAPITAL ASSETS			
Land	639,576	2,433,777	3,073,353
Construction in progress	163,648		163,648
Building and capital facilities	48,911,499	2,320,596	51,232,095
Furniture and equipment	1,244,205	227,567	1,471,772
Infrastrure		1,797,802	1,797,802
Less accumulated depreciation	(21,476,920)	(2,984,844)	(24,461,764)
TOTAL CAPITAL ASSETS, NET	29,482,008	3,794,898	33,276,906
TOTAL ASSETS	33,041,732	4,998,666	38,040,398
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension liability	260,073		260,073
Deferred charge on refunding of debt	985,784		985,784
	1,245,857	-	1,245,857
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 34,287,589	\$ 4,998,666	\$ 39,286,255

See independent auditors' report and notes to financial statements.

**THE CITY OF BESSEMER, ALABAMA
STATEMENT OF NET POSITION - CONTINUED
COMPONENT UNITS
SEPTEMBER 30, 2022**

	<u>Governmental Utility Services Corp</u>	<u>Bessemer Airport Authority</u>	<u>Total Component Units</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts and vouchers payable	\$ 152,040	\$ 474,602	\$ 626,642
Accrued expenses	675,717	18,490	694,207
Unearned revenue		21,659	21,659
Current maturities of bonds and notes payable	1,650,000	68,759	1,718,759
Total current liabilities	<u>2,477,757</u>	<u>583,510</u>	<u>3,061,267</u>
OTHER LIABILITIES			
Net pension obligations	240,498		240,498
Bonds and notes payable, less current portion	44,859,636	897,791	45,757,427
Total other liabilities	<u>45,100,134</u>	<u>897,791</u>	<u>45,997,925</u>
TOTAL LIABILITIES	<u>47,577,891</u>	<u>1,481,301</u>	<u>49,059,192</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension liability	137,660		137,660
NET POSITION			
Investment in capital assets, net of related debt	(17,027,628)	2,828,348	(14,199,280)
Restricted	2,463,841		2,463,841
Unrestricted (deficit)	1,135,825	689,017	1,824,842
Total Net Position	<u>(13,427,962)</u>	<u>3,517,365</u>	<u>(9,910,597)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 34,287,589</u>	<u>\$ 4,998,666</u>	<u>\$ 39,286,255</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, 2022

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	<u>Net (Expense) Revenues and Changes in Net Position</u>
Government Utility Service Corporation	\$ 6,717,151	\$ 7,596,716	\$ -	\$ -	\$ 879,565
Bessemer Airport Authority	4,865,219	2,743,504		2,089,066	(32,649)
	<u>\$ 11,582,370</u>	<u>\$ 10,340,220</u>	<u>\$ -</u>	<u>\$ 2,089,066</u>	<u>846,916</u>
<u>General Revenues</u>					
					60,000
					3,885
					-
					(3,413)
					<u>60,472</u>
					<u>907,388</u>
					(10,817,985)
					<u>\$ (9,910,597)</u>

See independent auditors' report and notes to financial statements.

**THE CITY OF BESSEMER, ALABAMA
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
BUDGET TO ACTUAL
STATEMENT OF REVENUES, EXPENDITURES, AND ENUMBRANCES
FISCAL YEAR ENDED SEPTEMBER 30, 2022**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>		<u>Budget-Positive</u> <u>(Negative)</u>
FUNDS ON HAND	\$ 2,006,152	\$ 2,006,152		(2,006,152)
REVENUES:				
Taxes	55,611,790	55,611,790	59,231,017	3,619,227
License and permits	4,869,897	4,869,897	5,572,243	702,346
Grants and intergovernmental		-	1,541,412	1,541,412
Charges and fees for services	2,054,891	2,054,891	1,319,064	(735,827)
Franchise fees	282,000	282,000	211,976	(70,024)
Investment income	28,000	28,000	196	(27,804)
Other		-	235,330	235,330
Total Revenues	<u>64,852,730</u>	<u>64,852,730</u>	<u>68,111,238</u>	<u>3,258,508</u>
EXPENDITURES:				
Current operations:				
General Government	15,765,588	15,765,588	11,787,528	3,978,060
Law enforcement	16,683,308	16,683,308	12,801,036	3,882,272
Fire protection	13,044,544	13,044,544	12,366,511	678,033
Public improvement	14,740,425	14,740,425	12,626,818	2,113,607
Health, welfare, and public services	1,399,122	1,399,122	2,392,185	(993,063)
Recreation	4,255,743	4,255,743	3,395,291	860,452
Capital outlay		-	4,092,481	(4,092,481)
Debt Service:				
Principal payments		-	247,972	(247,972)
Interest and fiscal charges		-	40,264	(40,264)
Total Expenditures	<u>65,888,730</u>	<u>65,888,730</u>	<u>59,750,086</u>	<u>6,138,644</u>
Excess of Revenues Over (Under) Expenditu	<u>(1,036,000)</u>	<u>(1,036,000)</u>	<u>8,361,152</u>	<u>9,397,152</u>
OTHER FINANCING SOURECES (USES)				
Transfers in	1,036,000	1,036,000	1,227,693	191,693
Transfers out		-	(4,268,691)	(4,268,691)
Proceeds from short-term borrowings				-
Total other financing Sources (Uses)	<u>1,036,000</u>	<u>1,036,000</u>	<u>(3,040,998)</u>	<u>(4,076,998)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,320,154</u>	<u>\$ 5,320,154</u>

See independent auditors' report and notes to financial statements.

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

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, 2022, for the Electric Service Department and September 30, 2022, for the Water Service Department.

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

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, 2022, for the Library may be obtained at the following administrative office:

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

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

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

Complete financial statements or other financial information as of September 30, 2022, 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, 2022

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, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Continued

Fund and Accounting Entity

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund and Accounting Entity – Continued

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

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

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

Reclassifications

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

Pensions

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

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deposits and Investments

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

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

Taxes Receivable

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Short-Term Inter-Fund Receivables/Payables

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

Inventory

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

Capital Assets

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

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

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

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

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

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

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, 2022, totaled \$2,206,856.

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, 2022, totaled \$3,345,862.

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, 2022, totaled \$1,201,116.

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, 2022

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, 2022

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, 2022

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY– CONTINUED

Budgets and Budgetary Accounting

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

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

NOTE 3 – DEPOSITS IN FINANCIAL INSTITUTIONS

Demand Deposits

The City's demand deposits, certificates of deposit, and money market investments at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A- Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. As of September 30, 2022, the carrying amount of the City's deposits was \$60,902,591 and the bank balance was \$62,058,714. As noted above, the bank balance is covered by Federal Depository Insurance or the SAFE Program.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. According to the City's Trust Indenture and the SAFE Program, custodial credit risk will be minimized by using the following techniques; limiting investments to the safest type of securities, prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City will do business; and diversifying the investment portfolio so that potential losses on individual securities will be minimized. As of September 30, 2022, the City's deposits were either fully insured or properly collateralized, were held in the City's name, and have no custodial credit risk.

Investments

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

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

NOTE 3 – DEPOSITS IN FINANCIAL INSTITUTIONS– CONTINUED

Interest Rate Risk

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

Concentration of Credit Risk

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

Investments

Governmental Activities

Federated U.S. Treasury Reserves	AAAm, AAA	1-90 Days	<u>\$ 539,688</u>
Total			<u>\$ 539,688</u>

Business-Type Activities

Federated U.S. Treasury Reserves	AA+, AAA	Various	<u>\$ 12,873,052</u>
Total			<u>\$ 12,873,052</u>

Fair Value Measurement

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

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

NOTE 3 – DEPOSITS IN FINANCIAL INSTITUTIONS– CONTINUED

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

Fair Value Measurement

Reported in Governmental Funds	\$ 60,902,799
Reported in Proprietary Funds	<u>19,584,661</u>
Total	<u>\$ 80,487,460</u>
Disclosed in Deposits	\$ 67,074,720
Disclosed in Investments	<u>13,412,740</u>
	<u>\$ 80,487,460</u>

NOTE 4 – ACCOUNTS RECEIVABLE

Governmental Activities

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

Business-type Activities

Bessemer Electric Service bills and collects from customers for services provided by the Electric Service and Bessemer Water Service. At June 30, 2022, the Electric Service customer receivables totaled approximately \$16,421,697 and the allowance for doubtful accounts was \$5,595,226. At September 30, 2022, the Water Service customer receivables totaled approximately \$7,782,165 and the allowance for doubtful accounts was \$-0-.

CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2022

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2022, was as follows:

Primary Government

	9/30/2021 Beginning Balance	Increases	Decreases	9/30/2022 Ending Balance
Government Activities				
Capital Assets not being depreciated				
Land	\$ 1,325,177	\$ -	\$ -	\$ 1,325,177
Property held for resale	363,921			363,921
Construction in process	<u>2,837,396</u>	<u>1,416,792</u>	<u>1,394,932</u>	<u>2,859,256</u>
Total Capital Assets, not being depreciated	<u>4,526,494</u>	<u>1,416,792</u>	<u>1,394,932</u>	<u>4,548,354</u>
Capital Assets				
Building and capital facilities	36,482,712		4,097,333	32,385,379
Office, non-office, and other equipment	23,861,870	2,870,916	432,061	26,300,725
Infrastructure	<u>40,605,319</u>	<u>1,394,932</u>		<u>42,000,251</u>
Total Capital Assets, being depreciated	<u>100,949,901</u>	<u>4,265,848</u>	<u>4,529,394</u>	<u>100,686,355</u>
Less accumulated depreciation				
Building and capital facilities	6,446,785	651,902	1,317,975	5,780,712
Office, non-office, and other equipment	15,071,737	1,382,088	328,709	16,125,116
Infrastructure	<u>16,283,718</u>	<u>1,330,793</u>	<u>-</u>	<u>17,614,511</u>
Total accumulated depreciation	<u>37,802,240</u>	<u>3,364,783</u>	<u>1,646,684</u>	<u>39,520,339</u>
Total Capital Assets being depreciated, net	<u>63,147,661</u>	<u>901,065</u>	<u>2,882,710</u>	<u>61,166,016</u>
Governmental activity capital assets, net	<u>\$ 67,674,155</u>	<u>\$ 2,317,857</u>	<u>\$ 4,277,642</u>	<u>\$ 65,714,370</u>

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

NOTE 5 CAPITAL ASSETS -CONTINUED

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

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
General government	\$ 1,608,091
Law enforcement	523,305
Fire department	345,320
Public works	498,020
Recreation	390,047
Total Depreciation Expense for Governmental Activities	<u>\$ 3,364,783</u>

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

NOTE 5 – CAPITAL ASSETS – CONTINUED

	9/30/2021			9/30/2022
	Beginning			Ending
	Balance	Increases	Decreases	Balance
<i>Business - Type Activities</i>				
Capital Assets not being depreciated				
Land	\$ 476,854	\$ 54,910	\$ -	\$ 531,764
Construction in process	7,796,006	2,428,114	251,908	9,972,212
Total Capital Assets, not being depreciated	<u>8,272,860</u>	<u>2,483,024</u>	<u>251,908</u>	<u>10,503,976</u>
Capital Assets				
Building and capital facilities	5,097,014	39,276	-	5,136,290
Plant and Equipment	75,832,007	565,873		76,397,880
Office, non-office, and other equipment	8,855,453	148,299	-	9,003,752
Total Capital Assets, being depreciated	<u>89,784,474</u>	<u>753,448</u>	<u>-</u>	<u>90,537,922</u>
Less accumulated depreciation				
Building and capital facilities	4,752,545	111,282	-	4,863,827
Plant and Equipment	36,980,643	1,367,384		38,348,027
Office, non-office, and other equipment	10,822,232	515,939	-	11,338,171
Total accumulated depreciation	<u>52,555,420</u>	<u>1,994,605</u>	<u>-</u>	<u>54,550,025</u>
Total Capital Assets being depreciated, net	<u>37,229,054</u>	<u>(1,241,157)</u>	<u>-</u>	<u>35,987,897</u>
Business -Type activities capital assets, net	<u>\$ 45,501,914</u>	<u>\$ 1,241,867</u>	<u>\$ 251,908</u>	<u>\$ 46,491,873</u>

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

BUSINESS - TPYE

ACTIVITIES	AMOUNT
Electric	\$ 1,004,689
Water	910,430
Civic Center	934
Total Depreciation Expense for Business - Type Activities	<u>\$ 1,916,053</u>

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

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, 2022, is as follows:

Due to/from Other Funds:

		<u>Due From</u>		<u>To Due</u>	
General Fund	(1)	\$ 3,046,244		\$ 310,283	(2)
Nonmajor Funds	(1)	315,034		3,050,995	(2)
Proprietary Funds	(3)	<u>541,723</u>		<u>541,723</u>	(3)
		<u>\$ 3,903,001</u>		<u>\$ 3,903,001</u>	

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

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

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

During the course of normal operations, the City incurs numerous transactions between funds to provide services, construct assets, service debt, etc. These transactions are generally reported as inter-fund transfers. No expectation of repayment between funds is expected related to these inter-fund transfers. The composition of inter-fund transfers for the year ended September 30, 2022, is as follows:

		<u>Transfers In</u>		<u>Transfers Out</u>	
General Fund:					
Operating transfer		\$ 1,227,693		\$ 4,268,691	(2)
Major Funds:					
Debt Service Fund	(1)	4,189,819		8,900,678	(2)
Capital Improvement		8,899,679			(2)
Nonmajor Funds		2,293,572		2,487,787	(2)
Proprietary Funds		<u>953,607</u>			(2)
		<u>\$ 17,564,370</u>		<u>\$ 15,657,156</u>	

(1) Transfer to cover debt service requirements

(2) Transfer to subsidize fund operations

CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2022

NOTE 7 – CAPITAL LEASES

Governmental Activities:

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

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2022, are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2023	\$ 289,170	\$ 35,693	\$ 324,863
2024	289,170	30,066	319,236
2025	289,170	24,314	313,484
2026	289,170	18,434	307,604
2027	289,170	12,423	301,593
2028	<u>161,960</u>	<u>6,280</u>	<u>168,240</u>
Total Minimum Lease Payments	\$ 1,607,810	\$ 127,210	1,735,020
Less: Amount Representing Interest			<u>127,210</u>
Present Value of Minimum Lease Payments			<u>\$ 1,607,810</u>

Assets acquired through capital leases are as follows:

	<u>Governmental</u> <u>Activities</u>
Fire Trucks and Ambulances	\$ 2,095,782
Less Accumulated depreciation	<u>(52,394)</u>
Net Total	<u>\$ 2,043,388</u>

CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2022

Business-Type Activities:

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

The estimated value of the leased machinery and equipment at the inception of the lease was \$276,334. The related present value of the remaining obligations under the capital lease which totaled \$140,542 at June 30, 2022, 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, 2022, are as follows:

Capital Lease-Kansas State Bank

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	48,601	1,843	50,444
Total Minimum Lease Payments	\$ 48,601	\$ 1,843	50,444
Less: Amount Representing Interest			(1,843)
Present Value of Minimum Lease Payments			<u>\$ 48,601</u>

Assets that have outstanding debt:

	\$ 276,334
Less Accumulated depreciation	<u>(276,334)</u>
Net Total	<u>\$ -</u>

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

NOTE 8 – OPERATING LEASES

Governmental Activities:

The City leases copier equipment and golf carts under operating leases expiring at various times ranging from December 2021, through September 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, 2022, are as follows:

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

Rental expenditures for the year ended September 30, 2022, totaled \$78,379.

NOTE 9 – CURRENT AND ADVANCED REFUNDINGS

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

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

CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2022

NOTE 9 – CURRENT AND ADVANCED REFUNDINGS– CONTINUED:

Governmental Activities

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

During the year ended September 30, 2022, 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 2021-A were issued on December 1, 2021, for \$44,995,000 to refund (i) the General Obligation Warrants Series 2013-A principal amount of \$19,995,000. 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 \$1,193,443. The economic gain on refunding was \$946,465, (ii) to refund the General Obligation Warrants Series 2013-C principal amount of \$9,005,5000. 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 \$537,482. The economic gain on refunding was \$426,253, (iii) to refund the General Obligation Warrants Series 2014-D principal amount of \$15,995,000. 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 \$954,694. The economic gain on refunding was \$757,125. The City used the net proceeds of the Series 2021-A General Obligation Warrants to purchase U.S. government securities that were deposited in an irrevocable trust to provide for all future debt service on the refunded the General Obligation Warrants Series 2013-A, General Obligation Warrants Series 2013-C, and the General Obligation Warrants Series 2014-D. As a result, the Series 2013-A, Series 2013-C, and Series 2014-D Warrants are considered defeased and the City has removed the liability from its accounts. The bonds were fully redeemed on December 16, 2021.

General Obligation Warrants Series 2021-B were issued on December 1, 2021, for \$6,927,151 to refund the General Obligation Warrants Series 2014-E principal amount of \$6,810,000. 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 \$406,469. The economic gain on refunding was \$322,352. The City used the net proceeds of the Series 2021-B General Obligation Warrants to purchase U.S. government securities that were deposited in an irrevocable trust to provide for all future debt service on the refunded the General Obligation Warrants Series 2014-E. The General Obligation Warrants Series 2014-E are considered defeased and the City has removed the liability from its accounts. The bonds were fully redeemed on December 16, 2021.

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

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, 2022, 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, 2022

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, 2022, was \$694,605 leaving an unamortized deferred outflow of \$2,493,124.

Primary Government:**Governmental Activities:**

Type and Purpose	9/30/21	Addition	Amortization	9/30/2022
Deferred Net Outflow Acquisition				
Cost of the TIF District and CDA	\$ 3,187,729	\$ -	\$ 442,328	\$ 2,745,401
Deferred Loss Outflow on Refunding of Debt	\$ 1,262,883	\$ 3,440,124	\$ 1,398,749	\$ 3,304,258

Business - Type Activities:

Type and Purpose	9/30/21	Addition	Amortization	9/30/2022
Deferred Loss Outflow on Refunding of Debt	\$ 1,126,729	\$ -	\$ 64,648	\$ 1,062,081

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

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:

	<u>2022</u>
Limited obligation Library Warrants Series 2020A Due in varying amounts beginning February 1, 2021, until February 1, 2030 with interest payable semi-annual on February 1 and August 1 at a rate of 1.13%. Payable solely from and secured by the pledge of 3.5 mills on each \$1.00 of taxable property of the City.	\$ 2,410,000
General Obligation Warrants Series 2021-A Due in varying amounts beginning February 1, 2022, until February 1, 2043 with interest payable semi-annual on February 1 and August 1 at rates varying from 0.475% to 2.593%. The Warrants are secured by the full faith and and credit of the City.	46,127,000
General Obligation Warrants Series 2021-B Due in varying amounts beginning February 1, 2022, until February 1, 2043 with interest payable semi-annual on February 1 and August 1 @ 4.00% The Warrants are secured by the full faith and credit of the City.	5,643,400
General Obligation Warrants Series 2021-C Due in varying amounts beginning February 1, 2022, until February 1, 2043 with interest payable semi-annual on February 1 and August 1 @ 4.00% The Warrants are secured by the full faith and credit of the City.	<u>7,324,600</u>
Total Warrants Payable- Governmental Activities	<u>\$ 61,505,000</u>

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

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CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2022

Primary Government

Activity during 2022 related to long-term debt principal obligations is as follows:

	Balance at September 30, 2021	Additions	Reductions	Balance at September 30, 2022	Due Within One Year
Governmental Activities Warrants:					
Series 2021	\$ -	\$ 62,245,000	\$ 3,150,000	\$ 59,095,000	\$ 3,150,000
Series 2020-A	2,690,000		280,000	2,410,000	290,000
Series 2013-A	19,995,000		19,995,000	-	
Series 2013-B	730,000		730,000	-	
Series 2013-C	9,005,000		9,005,000	-	
Series 2014-D	15,995,000		15,995,000	-	
Series 2014-E	6,810,000		6,810,000	-	
Less unamortized amounts:					
For warrant premium	4,853	2,044,264	245,422	1,803,695	
For warrant discount	(375,049)		(375,049)	-	
	<u>54,854,804</u>	<u>64,289,264</u>	<u>55,835,373</u>	<u>63,308,695</u>	<u>3,440,000</u>
Capital Lease					
PNC Equipment Finance, due June 9, 2028	1,855,782		247,972	1,607,810	253,477
	<u>1,855,782</u>	<u>-</u>	<u>247,972</u>	<u>1,607,810</u>	<u>253,477</u>
Accumulated Compensated Absences					
	6,365,711	388,123		6,753,834	1,080,613
	<u>6,365,711</u>	<u>388,123</u>	<u>-</u>	<u>6,753,834</u>	<u>1,080,613</u>
Total Long-Term Debt	<u>\$ 63,076,297</u>	<u>\$ 64,677,387</u>	<u>\$ 56,083,345</u>	<u>\$ 71,670,339</u>	<u>\$ 4,774,090</u>

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

NOTE 10 – GENERAL AND LIMITED OBLIGATION WARRANTS PAYABLE – CONTINUED

Primary Government

Governmental Activities:

Debt service requirements on warrants payable at September 30, 2022 were as follows:

Year Ending September 30	Governmental Activities		Total
	Principal	Interest	Principal
2023	\$ 3,440,000	1,453,178	\$ 4,893,178
2024	3,475,000	1,415,221	4,890,221
2025	3,210,000	1,357,468	4,567,468
2026	3,250,000	1,296,358	4,546,358
2027	3,315,000	1,230,019	4,545,019
2028-2032	17,125,000	4,975,159	22,100,159
2033-2037	16,925,000	2,695,571	19,620,571
2038-2042	9,195,000	881,833	10,076,833
2043	1,570,000	22,898	1,592,898
	<u>\$ 61,505,000</u>	<u>\$ 15,327,705</u>	<u>\$ 76,832,705</u>

Business-Type Activities:

	2022
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.	\$ 25,415,000
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.	<u>7,320,000</u>
Total Warrants Payable- Business - Type Activities	<u>\$ 32,735,000</u>

CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2022

NOTE 10 – GENERAL AND LIMITED OBLIGATION WARRANTS PAYABLE – CONTINUED

Business-Type Activities:

Bessemer Water Service

Activity during 2022 related to long-term debt principal obligations is as follows:

	Balance at September 30, 2021	Additions	Deletions	Balance at September 30, 2022	Due Within One Year
Water Revenue Warrants					
Series 2017	\$ 25,955,000	\$ -	\$ 540,000	\$ 25,415,000	\$ 565,000
Premium on Series 2017	1,695,865		64,668	1,631,197	
	<u>27,650,865</u>	<u>-</u>	<u>604,668</u>	<u>27,046,197</u>	<u>565,000</u>
Compensated Absences	<u>945,122</u>		<u>75,628</u>	<u>869,494</u>	<u>139,119</u>
	<u>\$ 28,595,987</u>	<u>\$ -</u>	<u>\$ 680,296</u>	<u>\$ 27,915,691</u>	<u>\$ 704,119</u>

Debt service requirements on bonds payable at September 30, 2022 were as follows:

	Principal	Interest	Total
2023	\$ 565,000	\$ 1,092,481	\$ 1,657,481
2024	595,000	1,063,481	1,658,481
2025	625,000	1,032,981	1,657,981
2026	655,000	1,000,981	1,655,981
2027	690,000	967,356	1,657,356
2028-2032	4,030,000	4,267,280	8,297,280
2033-2037	4,985,000	3,307,569	8,292,569
2038-2042	5,930,000	2,368,223	8,298,223
2043-2047	7,340,000	954,500	8,294,500
	<u>\$ 25,415,000</u>	<u>\$ 16,054,852</u>	<u>\$ 41,469,852</u>

CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2022

NOTE 10 – GENERAL AND LIMITED OBLIGATION WARRANTS PAYABLE – CONTINUED

Business-Type Activities – Continued:

Business-Type Activities:
Bessemer Electric Service

Activity during 2022 related to long-term debt principal obligations is as follows:

	<u>Balance at June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2022</u>	<u>Due Within One Year</u>
Electric Revenue Warrants					
Series 2011	\$ 7,800,000	-	\$ 480,000	\$ 7,320,000	\$ 495,000
Less unamortized amounts:					
For warrant discount	(190,501)		15,315	(175,186)	
Deferred outflow on refunding	(356,764)		27,984	(328,780)	
	<u>7,252,735</u>	<u>-</u>	<u>523,299</u>	<u>6,816,034</u>	<u>495,000</u>
Capital Lease					
Kansas State Bank due January 15, 2018	95,427	-	46,826	48,601	-
	<u>95,427</u>	<u>-</u>	<u>46,826</u>	<u>48,601</u>	<u>-</u>
Accumulated Compensated Absences	702,247	-	198,710	503,537	80,566
	<u>702,247</u>	<u>-</u>	<u>198,710</u>	<u>503,537</u>	<u>80,566</u>
Total Long-Term Debt	<u>\$ 8,050,409</u>	<u>-</u>	<u>\$ 768,835</u>	<u>\$ 7,368,172</u>	<u>\$ 575,566</u>

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

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

Debt service requirement on bonds payable were as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 495,000	\$ 288,615	\$ 783,615
2023	505,000	272,573	777,573
2024	525,000	254,853	779,853
2025	545,000	235,953	780,953
2026	560,000	215,515	775,515
2027-2031	3,210,000	724,257	3,934,257
2032-2033	1,480,000	94,988	1,574,988
	<u>\$ 7,320,000</u>	<u>\$ 2,086,754</u>	<u>\$ 9,406,754</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, 2022

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

GUSC - CONTINUED:

	2022
GUSC:	
Revenue Bonds Series 2017	
Due in varying amounts beginning June 1, 2019, until January 1, 2039 with interest payable semi-annual on June 1 and December 1 at rates varying from 3.75% to 5.00%. Payable solely from and secured by the pledge of water reservoir revenues.	<u>\$ 42,140,000</u>

Activity during 2022 related to long-term debt principal obligations is as follows:

	Balance at September 30, 2021	Additions	Deletions	Balance at September 30, 2022	Due Within One Year
Water Supply Revenue Bonds					
Series 2017	\$ 43,710,000	\$ -	\$ 1,570,000	\$ 42,140,000	\$ 1,650,000
Premium on Series 2017	4,837,000		467,364	4,369,636	
	<u>\$ 48,547,000</u>	<u>\$ -</u>	<u>\$ 2,037,364</u>	<u>\$ 46,509,636</u>	<u>\$ 1,650,000</u>

Debt service requirements on bonds payable at September 30, 2022 were as follows:

Year Ending September 30	Principal	Interest	Total Principal
2023	\$ 1,650,000	\$ 1,996,125	\$ 3,646,125
2024	1,730,000	1,913,625	3,643,625
2025	1,815,000	1,827,125	3,642,125
2026	1,905,000	1,736,375	3,641,375
2027	2,005,000	1,641,125	3,646,125
2028-2032	11,625,000	6,598,125	18,223,125
2033-2037	14,635,000	3,589,200	18,224,200
2038-2039	6,775,000	512,250	7,287,250
	<u>\$ 42,140,000</u>	<u>\$ 19,813,950</u>	<u>\$ 61,953,950</u>

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

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

<u>Direct Borrowings</u>	<u>2022</u>
Airport Authority	
Notes payable - bank	
Due in monthly installments at 3.52% annual interest rate, matures February 2028, collateralized by all assets, funding agreement with the City.	\$ 443,818
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.	470,417
Notes payable - bank	
Due in monthly installments at 4.15% annual interest rate, matures March 2024, collateralized by fixed assets purchase with the note.	<u>7,069</u>
Total Warrants Payable- Governmental Activities	<u>\$ 921,304</u>

Airport

Activity during 2022 related to long-term debt principal obligations is as follows:

	<u>Balance at</u> <u>September 30,</u> <u>2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>September 30,</u> <u>2022</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Notes Payable	<u>\$ 991,506</u>	<u>\$ -</u>	<u>\$ 70,202</u>	<u>\$ 921,304</u>	<u>\$ 54,220</u>

CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2022

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

Airport Authority - Continued

Debt service requirements on bonds payable at September 30, 2022 were as follows:

Year Ending September 30	Principal	Interest	Total Principal
2023	54,220	36,159	90,379
2024	49,026	34,173	83,199
2025	50,976	32,223	83,199
2026	53,005	30,193	83,198
2027	55,116	28,082	83,198
2028-2035	658,961	61,088	720,049
	<u>\$ 921,304</u>	<u>\$ 221,918</u>	<u>\$ 1,143,222</u>

NOTE 12 – CHANGES IN OTHER-TERM LIABILITIES

Activity during 2022 related to other long-term debt obligations is as follows:

<i>Primary Government</i>	Balance at September 30, 2021	Additions	Reductions	Balance at September 30, 2022
Governmental Activities:				
Net Pension Obligation	\$ 55,775,318		\$ 5,140,284	\$ 50,635,034
Net OPEB Obligation	32,386,984	6,422,977		38,809,961
Closure and Postclosure Costs	266,845	-	27,940	238,905
	<u>\$ 88,429,147</u>	<u>\$ 6,422,977</u>	<u>\$ 5,168,224</u>	<u>\$ 89,683,900</u>

CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2022

NOTE 12 – CHANGES IN LONG-TERM LIABILITIES – CONTINUED

Business -Type Activities:

Activity during 2022 related to other long-term debt obligations is as follows:

<i>Water Service</i>	<u>Balance at September 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at September 30, 2022</u>
Net Pension Obligation	\$ 7,156,079		\$ 659,509	\$ 6,496,570
Net OPEB Obligation	4,046,361		-	4,046,361
	<u>\$ 11,202,440</u>	<u>\$ -</u>	<u>\$ 659,509</u>	<u>\$ 10,542,931</u>

<i>Electric Service</i>	<u>Balance at September 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at September 30, 2022</u>
Net Pension Obligation	\$ 4,963,087		\$ 457,401	\$ 4,505,686
Net OPEB Obligation	2,493,347	313,000	-	2,806,347
	<u>\$ 7,456,434</u>	<u>\$ 313,000</u>	<u>\$ 457,401</u>	<u>\$ 7,312,033</u>

CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2022

NOTE 13 – FUND BALANCES – GOVERNMENTAL FUNDS

Amounts for specific purposes by fund and fund balance classifications for the year ended September 30, 2022, are as follows:

Classification/Fund	Purpose	General Fund	Debt Service Fund	Other Nonmajor Funds	Total Governmental Fund
Nonspendable					
Prepaid items	Insurance	\$ 321,197	\$ -	\$ -	\$ 321,197
Inventory		-			-
Restricted					
Debt Service	Retire Debt		529,201		529,201
Capital Projects	Special Projects			8,946,952	8,946,952
Community Development	Residential Improvements			2,236,868	2,236,868
Special Revenue Activities	Proscribed Use			17,723,767	17,723,767
Storm Water Acct	Storm Water Maintenance			1,220,037	1,220,037
Police Sex Offender Account	Child Protection	12,800			12,800
Municipal Court Cash	Judicial	100			100
Committed					
Recreation Facilities	Public Service & Fitness	4,275,631			4,275,631
Assigned					
Library	Public Service	946,363			946,363
Golf Course & Recreational	Quality of Life & Health	4,598,884			4,598,884
Unassigned					
General	Unassigned	21,349,006			21,349,006
Total fund balances		\$ 31,503,981	\$ 529,201	\$ 30,127,624	\$ 62,160,806

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

NOTE 14 – RISK MANAGEMENT

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

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

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

NOTE 15 – COMMITMENTS, CLAIMS, AND CONTINGENCIES

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

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

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

On October 1, 2013, the City and the Bessemer Airport Authority issued the Series 2013, Revenue Bond of Bessemer Airport Authority to Regions Bank for the principal amount of \$718,779. The bond is a general obligation of the City to be paid \$60,000 annually on or before December 1, 2013, and on or before October 1st of each year thereafter as long as the bond shall be outstanding. The Authority refinanced the bond with a note payable in March 2017. The Authority refinanced again in February 2018. The City has a general obligation to service \$60,000 of this debt annually. As of September 30, 2022, the outstanding balance of the notes payable was \$921,304.

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

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 \$238,905 reported as landfill postclosure care liability at September 30, 2022, 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 2022. 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 16 years.

NOTE 17 – RETIREMENT PLAN

General Information about the Pension Plan

Plan Description. The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 15 trustees. Act 390 of the Legislature of 2022 created two additional representatives to the ERS Board of Control Effective October 1, 2022. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

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

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

NOTE 17 – RETIREMENT PLAN – CONTINUED

General Information about the Pension Plan (Continued)

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

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

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

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

NOTE 17 – RETIREMENT PLAN – CONTINUED

General Information about the Pension Plan (Continued)

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

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

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

The ERS membership includes approximately 104,510 participants from approximately 879 local participating employers. As of September 30, 2022, membership consisted of:

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

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

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

NOTE 17 – RETIREMENT PLAN – CONTINUED

General Information about the Pension Plan (Continued)

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2022, the City's active employee contribution rate was 16.70% of covered payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 16.29% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2022, was 18.30% of pensionable pay for Tier 1 employees, and 16.40% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2019, 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 \$4,509,248 for the year ended September 30, 2022.

CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2022

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, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020, rolled forward to September 30, 2021, using standard roll-forward techniques as shown in the following table:

<u>Rollforward of the Total Pension Liability</u>				Actual After
<i>(In Dollars)</i>				2020
	<u>Expected</u>	<u>Actual Before Act 2019-132</u>	<u>Actual After Act 2019-132</u>	<u>Experience Study</u>
(a) Total Pension Liability as of September 30, 2020	152,306,023	149,213,059	150,704,131	156,176,500
(b) Discount rate	0	0	0	0
(c) Entry Age Normal Cost for the period October 1, 2020 - September 30, 2021	2,531,520	2,531,520	2,795,022	3,090,736
(d) Transfers Among Employers:	-	(1,427,964)	(1,427,964)	(1,427,964)
(e) Actual Benefit Payments and Refunds for the period October 1, 2020-September 30, 2021	<u>(10,171,190)</u>	<u>(10,171,190)</u>	<u>(10,171,190)</u>	<u>(10,171,190)</u>
(f) Total Pension Liability as of September 30, 2021 = [(a) x (1+(b))]+ (c) +(d)+[(e) x (1+.05*(b))]	<u>156,002,326</u>	<u>151,243,240</u>	<u>153,112,806</u>	<u>158,924,355</u>
(g) Difference between Expected and Actual Experience (Gain) Loss		(4,759,086)		
(h) Less Liability Transferred for Immediate Recognition:		<u>(1,427,964)</u>		
(i) Experience (Gain)/Loss = (g) - (h)		<u>(3,331,122)</u>		
(j) Difference between Actual TPL Before and After Act 2019-132 Benefit Change (Gain)/Loss =			1,869,566	
(k) Difference between Actual TPL Before and After Act 2020 Experience Study- Assumption Change (Gain)/Loss =				5,811,549

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements
September 30, 2022

NOTE 17 – RETIREMENT PLAN – CONTINUED

Net Pension Liability (Continued)

Actuarial assumptions. The total pension liability as of September 30, 2021, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2020. The key actuarial assumptions are summarized below:

Inflation	2.50%
Salary increases – State & Local Employees	3.25% - 6.00%
Salary increases – State Police	4.00% - 7.75%
Investment rate of return*	7.45%

*Net of pension plan investment expense

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

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

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

CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2022

NOTE 17 – RETIREMENT PLAN – CONTINUED

Net Pension Liability (Continued)

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

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

*Includes assumed rate of inflation of 2.00%

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

NOTE 17 – RETIREMENT PLAN – CONTINUED

Net Pension Liability (Continued)

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

Changes in Net Pension Liability

	Increase (Decrease)		
Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	
(a)	(b)	(a)-(b)	
Balances at 9/30/2020	<u>\$ 152,306,023</u>	<u>\$ 84,411,539</u>	<u>\$ 67,894,484</u>
Changes for the year:			
Service cost	2,531,520		2,531,520
Interest	11,335,973		11,335,973
Change of benefit terms	1,869,566		1,869,566
Change of assumptions	5,811,549		5,811,549
Differences between expected and actual experience	(3,331,122)		(3,331,122)
Contributions--employer		4,509,248	(4,509,248)
Contributions--employee	-	1,807,105	(1,807,105)
Net investment income		18,158,327	(18,158,327)
Benefit payments, including refunds of employee contributions	(10,171,190)	(10,171,190)	-
Administrative expense	-		-
Transfers Among Employers	(1,427,964)	(1,427,964)	-
Net changes	<u>6,618,332</u>	<u>12,875,526</u>	<u>(6,257,194)</u>
Balances at 9/30/2021	<u>\$ 158,924,355</u>	<u>\$ 97,287,065</u>	<u>\$ 61,637,290</u>

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

NOTE 17 – RETIREMENT PLAN – CONTINUED

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the City's net pension liability calculated using the discount rate of 7.45%, 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 (6.45%) or 1-percentage-point higher (8.45%) than the current rate:

	1.00% Decrease	Current Discount Rate	1.00% Increase
	-6.45%	7.45%	8.45%
City's Net Pension Liability (Asset)	<u>\$ 80,033,746</u>	<u>\$ 61,637,290</u>	<u>\$ 46,125,006</u>

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

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, 2021. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2021. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

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

For the year ended September 30, 2022, the City recognized pension expense of \$4,509,248. At September 30, 2022, 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	\$ 2,124,075	\$ 2,796,617
Changes in assumptions	5,574,632	-
Net differences between projected and actual earnings on plan investments	-	7,046,083
Employer contributions subsequent to the Measurement Date	4,509,248	-
	<u>\$ 12,207,955</u>	<u>\$ 9,842,700</u>

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

Amortization of Deferred inflows and outflows of Resources:

Year ended September 30:

2023	\$ 244,399
2024	(123,138)
2025	(1,143,962)
2026	(1,577,386)
2027	456,094
Thereafter	<u>\$ (2,143,993)</u>

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

General Information about the OPEB Plan

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

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

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

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

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

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

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

**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, 2020, City plan membership consisted of the following:

Inactive Employees or Beneficiaries Currently Receiving Benefits	281
Inactive Members Entitled to but not yet Receiving Benefits	-
Active Employees	<u>593</u>
Total Membership	<u>874</u>

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

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

Total OPEB Liability

The City's total OPEB liability of \$45,662,669 was measured as of September 30, 2021, 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, 2020, using the following key actuarial assumptions and other inputs:

Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases, including wage inflation	3.25% - 6.00%
Municipal Bond Index Rate Prior Measurement Date	2.21%
Measurement Date	2.26%
Health Care Cost Trends	
Pre-Medicare	7.00% for 2020 decreasing to an ultimate rate of 4.50% by 2030
Medicare	5.25% for 2020 decreasing to an ultimate rate of 4.50% by 2024
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 Pub-2010 Public Mortality Plans Mortality Tables, with for AL ERS experience and generational mortality improvements using Scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019.

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

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, 2020 valuation were based on the results of an actuarial experience study for the period October 1, 2015 through September 30, 2020, and were submitted to and adopted by the Board of the Employees' Retirement System of Alabama on September 14, 2021.

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, 2020, valuation were based on a review of recent plan experience done concurrently with the September 30, 2020, valuation.

Schedule of Changes in Total OPEB Liability**Total OPEB Liability**

Total OPEB Liability as of September 30, 2020	\$ 41,482,146
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Changes for the year:

Service Cost at the end of the year*	1,841,993
Interest on TOL and Cash Flows	906,974
Change in benefit terms	1,489,456
Difference between expected and actual experience	(167,962)
Changes of assumptions or other inputs	1,000,145
Benefit payments	(890,083)
Other	-

Net changes	4,180,523
--------------------	------------------

Total OPEB Liability as of September 30, 2021	\$ 45,662,669
--	----------------------

Changes in benefits terms since prior measurement date:

- The City has elected Act 2019-132. Tier II employees must retire under the same eligibility requirements as Tier I employees to receive OPEB.

Changes in assumptions or other inputs since prior measurement date:

- Change in discount rate.
- The decremental and salary increase assumptions have been updated based on the most recent AL ERS experience analysis.

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

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

Sensitivity

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

Sensitivity of Health Care Cost Trend Rate

	1.00% Decrease	Current Discount Rate	1.00% Increase
Total OPEB Liability (Asset)	\$ 37,777,631	\$ 45,662,669	\$ 56,064,967

CITY OF BESSEMER, ALABAMA
Notes to the Financial Statements
September 30, 2022

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

Sensitivity – Continued

Discount Rate Sensitivity

	1.00% Decrease	Current Discount Rate	1.00% Increase
	1.26%	2.26%	3.26%
Total OPEB Liability (Asset)	\$ 54,050,038	\$ 45,662,669	\$ 39,001,761

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2022, the City recognized OPEB expense of \$4,471,219. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pension of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 286,074	\$ 1,975,570
Changes in assumptions	<u>6,900,267</u>	<u>2,295,111</u>
Total	<u>\$ 7,186,341</u>	<u>\$ 4,270,681</u>

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

Year ended September 30:

2022	\$ 232,796
2023	232,796
2024	483,671
2025	1,082,692
2026	778,320
Thereafter	<u>105,385</u>
Total	<u>\$ 2,915,660</u>

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

NOTE 19 – TAX ABATEMENTS AND INCENTIVE AGREEMENTS

The City is subject to GASB Statement 77, for the year ended September 30, 2022. 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, 2022, as follows:

Municipal ad-valorem taxes (noneducational portion)	\$ 223,676
Sales and use taxes	<u>1,349,131</u>
Total	<u>\$ 1,572,807</u>

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

NOTE 20 – PRIOR PERIOD ADJUSTMENTS

During the year ended September 30, 2022, certain accounts had prior period adjustments as follows which had an impact on beginning fund balances and net positions:

	<u>Beginning Net Position as Originally Reported</u>	<u>Prior Period Adjustments</u>	<u>Beginning Net Position Balance as Restated</u>
Governmental Activities:			
Statement of Net Position Financial Statements:			
Correct OPEB Liability		\$ (1,083,934)	
Total Net Position	\$ (26,700,010)	\$ (1,083,934)	\$ (27,783,944)
	<u>Beginning Net Position as Originally Reported</u>	<u>Prior Period Adjustments</u>	<u>Beginning Net Position Balance as Restated</u>
Governmental Funds:			
Balance Sheet			
General Fund - Correct Capital Assets	\$ 26,206,211	\$ (21,384)	\$ 26,183,827
Business - Type Activities:			
Electric Service			
Statement of Net Position Financial Statements:			
Correct prior period Receivables Due From Bessemer Water Service		\$ (834,533)	
Total Net Position	\$ 13,672,553	\$ (834,533)	\$ 12,838,020
Water Service			
Statement of Net Position Financial Statements:			
Correct Due From Bessemer Electric Service		(2,057,466)	
Total Net Position	\$ 4,383,102	\$ (2,057,466)	\$ 2,325,636
Civic Center			
Statement of Net Position Financial Statements:			
Correct Capital Assets		(39,277)	
Total Net Position	\$ (419,141)	\$ (39,277)	\$ (458,418)

CITY OF BESSEMER, ALABAMA

Notes to the Financial Statements

September 30, 2022

NOTE 21 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 15, 2023, the date which the financial statements were available to be issued.

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.

CITY OF BESSEMER, ALABAMA
Schedule of Changes in Total OPEB Liability
September 30, 2022

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

	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 1,841,993	\$ 1,834,415	\$ 1,208,702	\$ 1,530,873	\$ 1,757,895
Interest	906,974	1,006,120	1,192,131	1,187,665	1,013,911
Changes of benefit terms	1,489,456	-	-	(1,001,134)	-
Differences between expected and actual experience	(167,962)	(605,778)	286,640	(3,033,417)	354,111
Change of assumptions	1,000,145	1,997,282	7,752,617	(2,502,317)	(3,504,948)
Benefit payments	(890,083)	(1,140,418)	(1,127,361)	(737,161)	(1,175,813)
Other	-	-	-	-	-
Net change in total OPEB liability	4,180,523	3,091,621	9,312,729	(4,555,491)	(1,554,844)
Total OPEB liability-beginning	41,482,146	38,390,525	29,077,796	33,633,287	35,188,131
Total OPEB liability-ending (a)	<u>\$ 45,662,669</u>	<u>\$ 41,482,146</u>	<u>\$ 38,390,525</u>	<u>\$ 29,077,796</u>	<u>\$ 33,633,287</u>
Covered payroll*	\$ 30,057,403	\$ 30,057,403	\$ 31,480,908	\$ 31,480,908	\$ 30,454,186
Net OPEB liability (asset) as a percentage of covered payroll	151.92%	138.01%	121.95%	92.37%	110.44%

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

The accompanying notes are an integral part of this statement.

City of Bessemer
Benefits other than Pensions
September 30, 2022

Schedule of Changes in Total OPEB Liability

Total OPEB Liability

Total OPEB Liability as of September 30, 2020 \$ 41,482,146

Changes for the year:

Service Cost at the end of the year*	1,841,993
Interest on TOL and Cash Flows	906,974
Change in benefit terms	1,489,456
Difference between expected and actual experience	(167,962)
Changes of assumptions or other inputs	1,000,145
Benefit payments	(890,083)
Other	-

Net changes 4,180,523

Total OPEB Liability as of September 30, 2021 \$ 45,662,669

Changes in benefits terms since prior measurement date:

- The City has elected Act 2019-132. Tier II employees must retire under the same eligibility requirements as Tier I employees to receive OPEB.

Changes in assumptions or other inputs since prior measurement date:

- Change in discount rate.
- The decremental and salary increase assumptions have been updated based on the most recent AL ERS experience analysis.

See independent auditors' report and notes to financial statements.

City of Bessemer, Alabama
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
 Last Available 18 Fiscal Years Ending September 30

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total Pension Liability									
Service cost	\$ 2,531,520	\$ 2,732,329	\$ 2,721,691	\$ 2,482,382	\$ 2,632,723	\$ 2,511,544	\$ 2,594,443	\$ 2,285,289	
Interest	11,335,973	10,989,489	10,641,323	10,261,862	9,897,620	9,356,255	8,874,869	8,594,432	
Changes of benefit terms	1,869,566	-	-	-	-	-	-	-	
Differences between expected and actual experience	(3,331,122)	1,632,118	1,105,939	(76,384)	1,413,340	737,352	2,591,946	-	
Change of assumptions	5,811,549	-	-	726,302	-	6,805,685	-	-	
Benefit payments, including refunds of employee contributions	(10,171,190)	(9,620,675)	(8,906,623)	(8,568,877)	(8,181,814)	(8,835,313)	(7,650,923)	(7,899,318)	
Transfers among employers	(1,427,964)	(958,511)	(684,273)	(359,156)	421,885	255,267	-	-	
Net change in total pension liability	6,618,332	4,775,350	4,878,657	4,666,129	6,183,754	10,851,290	6,210,275	3,780,503	
Total pension liability—beginning	152,306,023	147,530,673	142,652,016	137,985,887	131,802,133	120,970,843	114,760,568	110,980,065	
Total pension liability—ending (a)	\$ 158,924,355	\$ 152,306,023	\$ 147,530,673	\$ 142,652,016	\$ 137,985,887	\$ 131,802,133	\$ 120,970,843	\$ 114,760,568	
Plan fiduciary net position									
Contributions—employer	\$ 4,509,348	\$ 4,635,849	\$ 4,919,373	\$ 4,179,660	\$ 4,200,719	\$ 4,317,742	\$ 4,827,999	\$ 3,819,448	
Contributions—member	1,807,105	1,840,955	1,888,110	1,785,351	1,717,279	1,656,712	1,594,375	1,547,167	
Net investment income	18,158,327	4,673,657	2,133,778	7,282,336	9,204,309	-6,812,829	806,003	7,491,327	
Benefit payments, including refunds of employee contributions	(10,171,190)	(9,620,675)	(8,906,623)	(8,568,877)	(8,181,814)	(8,835,313)	(7,650,923)	(7,899,318)	
Administrative expense	-	-	-	-	-	-	-	-	
Transfers Among Employers	(1,427,964)	(958,511)	(684,273)	(359,156)	421,885	255,267	137,968	(352,470)	
Net change in plan fiduciary net position	12,875,326	371,855	(649,655)	4,319,314	7,362,378	5,807,737	(1,884,778)	5,400,154	
Plan net position—beginning	84,411,539	83,839,484	84,488,719	80,169,205	72,806,827	67,799,890	68,883,868	63,477,714	
Plan net position—ending	\$ 97,287,665	\$ 84,411,539	\$ 83,839,484	\$ 84,488,719	\$ 80,169,205	\$ 72,806,827	\$ 67,799,890	\$ 68,883,868	
Net Pension liability (assets)—ending (a)-(b)	\$ 61,637,290	\$ 67,894,484	\$ 63,690,989	\$ 58,163,297	\$ 57,816,682	\$ 58,995,306	\$ 53,171,353	\$ 45,876,700	
Plan fiduciary net position as a percentage of the total pension liability	61.22%	55.42%	56.83%	59.23%	58.30%	55.24%	56.05%	60.02%	
Covered payroll*	\$ 26,234,930	\$ 26,213,497	\$ 31,622,547	\$ 32,107,711	\$ 31,558,579	\$ 32,509,570	\$ 29,830,635	\$ 28,891,007	
Net pension liability (asset) as a percentage of covered payroll	234.94%	259.01%	201.41%	178.91%	183.20%	181.47%	178.25%	163.31%	

*Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2022 the measurement period is October 1, 2020-September 30, 2021.

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

See independent auditors' report and notes to financial statements.

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution*	\$ 4,509,248	\$ 4,878,091	\$ 5,279,968	\$ 4,738,043	\$ 4,179,660	\$ 4,198,444	\$ 4,313,610	\$ 4,125,114	\$ 5,366,615
Contributions in relation to the actuarially require	4,509,248	4,878,091	5,279,968	4,738,043	4,179,660	4,198,444	4,313,610	4,125,114	5,366,615
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll**	\$ 27,006,350	\$ 26,254,980	\$ 26,213,497	\$ 31,622,547	\$ 32,107,711	\$ 31,558,579	\$ 32,509,570	\$ 29,830,035	\$ 28,091,007
Contributions as a percentage of covered-employ	16.70%	18.59%	20.14%	14.98%	13.02%	13.30%	13.27%	13.83%	19.10%

* The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or prior 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 2022 is the total covered payroll for 12 month period of the underlying financial statements.

NOTES TO SCHEDULE

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2021 were based on the September 30, 2019, actuarial valuation.

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

Actuarial Cost Method	Entry Age
Amortization Method	Level Percent Closed
Remaining Amortization Period	27.2 years
Asset Valuation Method	Five Year Smoothed Market
Inflation	2.75%
Salary Increases	3.25% - 5.00%, Including Inflation
Investments Rate of Return	7.70%, Net of Pension Plan Investment Expense, including Inflation

See independent auditors' report and notes to financial statements.

THE CITY OF BESSEMER, ALABAMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2022

Special Revenue Funds

	Community Development Fund	Covid 19 Relief Fund	Storm Water Fund	Confiscated Drug Fund	TIF District Fund	Police & Fire Grant Fund	State Seized Fund	City Hall Rec Center	Municipal Court Fund	Cash Bond Fund	City Donated Fund Cash	Auditorium Rental Fund	Police Donated Fund Cash Account
ASSETS													
Cash and Cash equivalents	\$ 870,948	\$ 11,589,418	\$ 1,220,310	\$ 144,951	\$ 3,457,042	\$ 21,482	\$ 42,797		\$ 715,456	\$ 769,855	\$ 208	\$ 91,703	\$ 22,702
Cash with Escrow Agents	10,487												
Accounts Receivable	16,045					164,679							
Loans Receivable	1,290,513												
Due from Other Funds	208,466		1,409	19,854	394	1,840		12,648			-	569	2,302
Deferred Loans Receivable	407,778												
Total Assets	2,804,257	11,589,418	1,221,719	164,805	3,457,436	183,001	42,797	-	728,104	769,855	208	92,272	25,004
LIABILITIES AND FUND BALANCE													
LIABILITIES													
Accounts payable	20,150		1,682			26,274			64,850	637,837	-		
Due to Other Funds	547,239	8,500			1,807,440	48,641			628,315		-	8,411	2,055
Total Liabilities	567,389	8,500	1,682	-	1,807,440	74,915	-	-	693,165	637,837	-	8,411	2,055
Fund balance													
Restricted	2,236,868	11,580,918	1,220,037	164,805	1,649,996	113,086	42,797	-	34,939	132,018	208	83,861	22,949
Total Liabilities and Fund balance	\$ 2,804,257	\$ 11,589,418	\$ 1,221,719	\$ 164,805	\$ 3,457,436	\$ 188,001	\$ 42,797	\$ -	\$ 728,104	\$ 769,855	\$ 208	\$ 92,272	\$ 25,004

THE CITY OF BESSEMER, ALABAMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2022

	Special Revenue Funds												
	Community Development Fund	Covid 19 Relief Fund	Storm Water Fund	Confiscated Drug Fund	TIF District Fund	Police Grant Fund	State Seized Fund	City Hall/ Rec Center	Municipal Court Fund	Cash Bond Fund	City Donated Fund Cash	Auditorium Rental Fund	Police Donated Fund Cash Account
REVENUES:													
Taxes		\$ -			\$ 1,898,063								
Grants and intergovernmental	1,353,296	6,985,470				352,492	5,659						
Charges and fees for services			175,034						108,901		-		
Investment Income	16												
Other	370,831			30,456				643,745		284		10,393	
Total Revenues	1,724,143	6,985,470	175,034	30,456	1,898,063	352,492	5,659	-	643,745	108,901	284	-	10,393
EXPENDITURES:													
Current operations:													
General Government	2,295,565	2,390,000			84,271		50,238				17,849		
Law Enforcement				34,562		367,326		613,522	32,910			20,064	
Fire protection													
Public Improvement			212,467										
Health, Welfare, and Public Services													
Recreational													
Capital Outlay				69,960									
Total Current Operations	2,295,565	2,390,000	212,467	104,522	84,271	367,326	50,238	-	613,522	32,910	-	17,849	20,064
Excess of Revenues Over (Under)													
Expenditures	(571,422)	4,595,470	(37,433)	(74,066)	3,813,792	(14,834)	(44,579)	-	30,223	75,991	284	(17,849)	(9,671)
OTHER FINANCING SOURCES (USES):													
Transfers in			1,257,470					1,035,817					285
Proceeds from Long-term borrowings													
Transfers out					(1,112,599)			(274,085)	(1,035,818)	(285)			
Total other financing sources (uses)	-	-	1,257,470	-	(1,112,599)	-	-	-	761,732	(1,035,818)	(285)	-	285
Net Change in Fund Balances	(571,422)	4,595,470	1,220,037	(74,066)	701,193	(14,834)	(44,579)	-	791,955	(959,827)	(1)	(17,849)	(9,386)
Fund Balances-Beginning	2,808,290	6,985,448	-	238,871	948,803	127,920	87,376	-	(757,016)	1,091,845	209	101,710	32,335
Fund Balances-Ending	\$ 2,236,868	\$ 11,580,918	\$ 1,220,037	\$ 164,805	\$ 1,649,996	\$ 113,086	\$ 42,797	\$ -	\$ 34,939	\$ 132,018	\$ 208	\$ 83,861	\$ 22,949

THE CITY OF BESSEMER, ALABAMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2022

	Rebuild Alabama Gas Tax Fund	Gas 7 Cent Tax Shares Fund	4 & 5 Cent Gas Tax Fund	1 Cent Gas Tax Fund	E-911 Fund	Total Special Revenue Funds	Capital Projects Fund	Capital Projects Improvement Fund	Nonmajor Governmental Funds
ASSETS									
Cash and Cash equivalents	\$ 456,664	\$ 1,180,644	\$ 855,131	\$ 987,055	\$ 341,226	\$ 22,767,592	\$ 20,534	\$ 8,926,418	\$ 31,714,544
Cash with Escrow Agents						10,487	-	-	10,487
Accounts Receivable	-	27,735				208,459	-	-	208,459
Loans Receivable						1,290,533	-	-	1,290,533
Due from Other Funds	-	67,551				315,033	-	-	315,033
Deferred Loans Receivable						407,778	-	-	407,778
Total Assets	456,664	1,275,930	855,131	987,055	341,226	24,999,882	20,534	8,926,418	33,946,834
LIABILITIES AND FUND BALANCE									
LIABILITIES									
Accounts payable					17,422	768,215	-	-	768,215
Due to Other Funds			394			3,050,995	-	-	3,050,995
Total Liabilities	-	-	394	-	17,422	3,819,210	-	-	3,819,210
Fund balance									
Restricted	456,664	1,275,930	854,737	987,055	323,804	21,180,672	20,534	8,926,418	30,127,624
Total Liabilities and Fund balance	\$ 456,664	\$ 1,275,930	\$ 855,131	\$ 987,055	\$ 341,226	\$ 24,999,882	\$ 20,534	\$ 8,926,418	\$ 33,946,834

THE CITY OF BESSEMER, ALABAMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2022

	Rebuild Alabama Gas Tax Fund	Gas 7 Cent Tax Shares Fund	4 & 5 Cent Gas Tax Fund	1 Cent Gas Tax Fund	E-911 Fund	Total Special Revenue Funds	Capital Projects Fund	Capital Projects Improvement Fund	Nonmajor Governmental Funds
REVENUES:									
Taxes	\$ 198,979	\$ 270,101	\$ 249,432	\$ 446,862		\$ 3,063,437	\$ -	\$ -	\$ 3,063,437
Grants and intergovernmental						8,696,917			8,696,917
Charges and fees for services					815,187	1,099,122			1,099,122
Investment Income						16		26,739	26,755
Other		352,426				1,408,135	5,000		1,413,135
Total Revenues	198,979	622,527	249,432	446,862	815,187	14,267,627	5,000	26,739	14,299,356
EXPENDITURES:									
Current operations:									
General Government						4,837,923	320		4,838,243
Law Enforcement					496,497	1,564,881			1,564,881
Fire protection						-			-
Public Improvement	249					212,716			212,716
Health, Welfare, and Public Services						-			-
Recreational						-			-
Capital Outlay		42,088			83,178	195,226			195,226
Total Current Operations	249	42,088	-	-	579,675	6,810,746	320	-	6,811,066
Excess of Revenues Over (Under)									
Expenditures	198,730	580,439	249,432	446,862	235,512	7,456,881	4,680	16,739	7,488,300
OTHER FINANCING SOURCES (USE)									
Transfers in						2,293,572		8,899,679	11,193,251
Proceeds from Long-term borrowings						-			-
Transfers out		(65,000)				(2,487,787)			(2,487,787)
Total other financing sources (uses)	-	(65,000)	-	-	-	(194,215)	-	8,899,679	8,705,464
Net Change in Fund Balances	198,730	515,439	249,432	446,862	235,512	7,262,666	4,680	8,926,418	16,193,764
Fund Balances-Beginning	257,934	760,491	605,305	540,193	88,292	13,918,006	15,854		13,933,860
Fund Balances-Ending	\$ 456,664	\$ 1,275,930	\$ 854,737	\$ 987,055	\$ 323,804	\$ 21,180,672	\$ 20,534	\$ 8,926,418	\$ 30,127,624

City of Bessemer, Alabama
Statement of Constitutional Debt Limits
September 30, 2022

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, 2022, for which taxes became due and payable on October 1, 2022, is \$463,961,600. Consequently, the general constitutional debt limitation currently applicable to the City is \$92,792,320.

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 2021-A Warrants, the Series 2021-B Warrants, the Series 2021-C 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, 2022, was \$66,815,384. Consequently, the City may hereafter incur additional indebtedness in the approximate amount of \$25,976,936 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 \$25,976,936. The constitutional debt capacity of the City will increase with any increase in the assessed value of taxable property in the City.

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

City of Bessemer, Alabama

Statement of Constitutional Debt Limits - Continued

September 30, 2022

Constitutional Debt Limits

The City's Series 2021-A allocable to refunding the 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 2021-A allocable to refunding 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, 2022

The following statement reflects the City's legal debt margins as of September 30, 2022:

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

Net assessed value of taxable property (as of September 30, 2022) ¹	\$ 463,961,600
General debt limit (20% of assessed value)	92,792,320
Section 94.01 debt limit	231,980,800
Total chargeable indebtedness ²	
General Obligation Warrants, Series 2021-A	46,127,000
General Obligation Warrants, Series 2021-B	5,643,400
General Obligation Warrants, Series 2021-C	7,324,600
Airport Funding Agreement	966,550
Compensated Absences Liability	6,753,834
Total chargeable debt outstanding	<u>66,815,384</u>
Less: Bonds or warrants for exempt purposes ³	<u>(16,506,187)</u>
Total debt chargeable against general legal debt margin	50,309,197
General legal debt margin	<u>\$ 42,483,123</u>
Total debt chargeable against Section 94.01 debt margin	<u>16,506,187</u>
Section 94.01 legal debt margin	<u>\$ 215,474,613</u>

¹ Source Jefferson County Tax Assessor. Includes real and personal property \$421,998,280 and motor vehicles \$41,963,320, net of exemptions.

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

³Series 2021-A Warrants allocable to refunding Series 2014-D



**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, 2022, 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 September 15, 2023. Our report includes a reference to other auditors who audited the financial statements of the Governmental Utility Services Corporation, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

City of Bessemer, Alabama's Response to Findings

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

Purpose of this Report

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

The Principal & Associates

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

September 15, 2023



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

Honorable Mayor and Members of the City Council Bessemer,
Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The City of Bessemer's ("the City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended September 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

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 of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items **20-012** and **20-013**.

Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

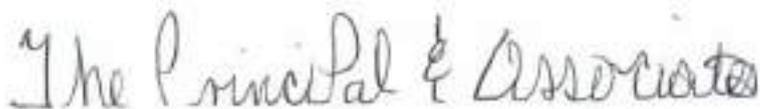
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



SUPPLEMENTAL SCHEDULES

CITY OF BESSEMER, ALABAMA
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2022

FEDERAL GRANTOR, PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	CFDA Number	Federal Expenditures
U.S. Department of Treasury		
Passed through Jefferson County:		
American Rescue Plan Act	21.027	\$ 2,390,000
U.S. Environmental Protection Agency		
Brownfields Community Wide Assessment Grant	16.818	87,468
Pass through FEMA:		
Hazard Mitigation Grant Program	97.039	11,703
U.S. Department of Justice		
Byrne JAG 19 Program	16.738	698
Byrne JAG 20 Program	16.738	37,540
Byrne JAG 21 Program	16.738	26,128
Equitable Sharing Program	16.922	104,525
Bullet Proof Vest	16.607	2,309
Coronavirus Emergency Supplemental Funding	16.034	20,690
National Association of Police Athletic/Activities 2020	16.726	21,790
National Association of Police Athletic/Activities 2021	16.726	12,600
Stop School Violence	16.839	124,426
U.S. Department of Transportation		
Passed through State of Alabama Highway Department (ATRIP):		
Highway Planning and Construction	20.205	102,426
Executive Office of the President		
Passed through the Alabama Department of Public Safety		
High intensity Drug Trafficking Areas Program	07.999	18,068
U.S. Department of Housing and Urban Development		
Community Development Block Grant	14.228	1,553,938
Community Development Block Grant (Cares Act)	14.228	<u>346,844</u>
Total Expenditures of Federal Awards		<u>\$ 4,861,153</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, 2022

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, 2022. 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, 2022

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Qualified

Internal control over financial reporting:
 Any material weakness(es) identified? Yes ___ No X

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

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

Federal Awards

Internal control over major programs:
 Any material weakness (es) identified? Yes ___ No X

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

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

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

Identification of major programs:

CFDA Number (s) Name of Federal Program or Cluster

14.228 Community Development Block Grant
 21.027 American Rescue Plan Act

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

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

CITY OF BESSEMER, ALABAMA
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

Section II: Financial Statements Findings

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

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

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

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

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

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

Finding 20-013

Federal Grant Report (Compliance Supplement)

Condition:

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

Criteria:

Rule 2 CFR section 200.512 (a) of the Federal Compliance Supplement require that the City complete and submit its single audit reporting package for fiscal year September 30, 2022 by the due dates of the earlier of 30 calendar days after receipt of the auditor's reports or within nine months (June 30, 2023) after the September 30, 2022 fiscal year-end.

Effect:

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

Recommendation:

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

Corrective Action:

The City has completed and will submitted its single audit reporting package for fiscal year September 30, 2022 as required by Rule 2 CFR section 200.512 (a) of the Federal Compliance Supplement upon release of the City's financial statements.

Section III: Federal Awards Findings

None



The Office of
Kenneth E. Gullett
Mayor

City of Bessemer

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(205) 424-4060 FAX: (205) 424-4372
Email: mayorsoffice@bessemeral.org

September 15, 2023

CITY OF BESSEMER, ALABAMA
CORRECTIVE ACTION PLAN

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

The Fiscal Year 2022 Single Audit identified two internal control issues. The first issue was related to the timely filing of the audit report to Municipal Securities Rulemaking Board via the Electronic Municipal Market Access (EMMA), the second issue was for untimely submission of the audit report to the Federal Clearinghouse. The findings, and the corresponding corrective action taken on behalf of the City, are noted below. The Finance Department is optimistic the corrective action plan will facilitate the timely closing of fiscal year-end books and records related to all financial reporting for the benefit of the City and the City's contractual and compliance obligations to timely file audit reports as required by agreements and regulations.

Non-Material Non-Compliance - Reporting

Finding 2020- 012

Electronic Municipal Market Access (EMMA) Compliance

Condition:

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

Criteria:

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

Effect:

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

Recommendation:

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

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

Corrective Action Plan: The following actions will be taken:

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

Material Non-Compliance - SEFA

Finding 2020-013

Federal Grant Report (Compliance Supplement)

Condition:

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

Criteria:

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

Effect:

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

Recommendation:

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

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

- **Corrective Action Plan:** The City has completed submitted its single audit reporting package for fiscal year September 30, 2022 as required by Rule 2 CFR section 200.512 (a) of the Federal Compliance Supplement. The Finance Department understands the reporting requirement. The Finance Department will endeavor to close the City books in a timely manner to facilitate the completion of the annual financial statement audit to allow for the submission of the audit report as required by rule 2 CFR section 200.512 (a) of the Federal Compliance Supplement.
- Finance will staff its department back to pre-covid19 levels.
- Finance will develop a formal calendar driven year-end books of accounting records closing schedule with a six month after fiscal year end completion date (March 31).

Responsible Party:
Alicia C. Fowlkes,
Principal Accountant
Finance Department

CITY OF BESSEMER , ALABAMA
SCHEDULE OF PRIOR YEAR AUDIT
FINDINGS *FOR THE YEAR ENDED*
SEPTEMBER 30, 2022

Finding 2020- 012 and Finding 2020-013 were reported for the year ended September 30, 2021.