

CITY OF BESSEMER
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2020

CITY OF BESSEMER

June 30, 2020

ADMINISTRATION

City Manager..... Charly Loper
Clerk/Treasurer..... James Trudgeon

BOARD MEMBERS

Mayor..... Adam Zak
Mayor Pro-Tem..... Terry Kryshak
Councilperson..... Lou Miskovich
Councilperson..... Linda Nelson
Councilperson..... Bill McDonald

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Bessemer
Bessemer, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bessemer as of and for the year then ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion on General Fund in Government Wide Statements

Accounting principles generally accepted in the United States of America require that governments providing defined benefit pensions recognize their long-term obligation for pension benefits as a liability. As described in Note M to the financial statements, management has not recorded a liability for the Policemen and Firemen Retirement plan in the general fund, and accordingly has not recorded an expense for the current period change in the liability. The amount by which this departure would affect the deferred assets, deferred liabilities, liabilities, net position, and expenses of the general fund in the government wide statements has been undetermined.

Qualified Opinion

In our opinion, except for the matter described in the “basis for qualified opinion on General Fund on Government Wide Statements” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund on the Government Wide Statements of the City of Bessemer of June 30, 2020 and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, each major fund other than the General Fund on the government wide statements, and the aggregate remaining fund information of the City of Bessemer as of June 30, 2020, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As described in Note R to the financial statements, the City implemented Governmental Accounting Standards board (GASB) Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, and pension requirements on pages 6 through 13 and 48 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and not a required part of the basic financial statements.

The combining, individual major, and nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

*Rukkila, Negro and Associates,
Certified Public Accountants, PC*

January 13, 2021

CITY OF BESSEMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

This section of City of Bessemer's annual financial report presents management's discussion and analysis of the City's financial activities during the fiscal year ended June 30, 2020. The analysis focuses on the City's financial performance as a whole. It is intended to be read as part of the City's financial statements, which immediately follow this section.

Financial Highlights

- The assets and the deferred outflows of the City of Bessemer exceeded its liabilities and the deferred inflows at year end by \$6,181,831 (net position).
- The City of Bessemer's total net position increased by \$618,993.
- The City of Bessemer had charges for services of \$354,718 in governmental activities and \$1,476,207 for business-type activities and \$1,823,339 and \$1,470,874 in expenses for governmental and business-type activities respectively during the year ended June 30, 2020.
- At the close of the fiscal year, the City of Bessemer's governmental activities funds reported a combined ending net position balance of \$1,200,251. This is a decrease of \$16,225.
- At the end of the current fiscal year, the fund balance for the general fund was \$686,245 or about 47% of total general fund expenditures, General fund net operating transfers to other funds was \$9,228 in 2020 compared to \$9,465 in the prior year, a decrease of \$937.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

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 costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and culture and recreation. The business-type activities of the City include sewer and water operations.

Overview of the Financial Statements (Continued)

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements 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 City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered a major fund. Data is combined into a single aggregated presentation for the other governmental funds (non-major governmental funds). Individual fund data for each of the non-major governmental funds is provided in the form of combining statements and schedules.

The City adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison schedules have been provided for the general fund and any major special revenue funds to demonstrate legal compliance.

Proprietary Funds: The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water funds, both of which are considered to be major funds of the City.

CITY OF BESSEMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Overview of the Financial Statements (Continued)

Fiduciary funds: The City is the trustee, or fiduciary, for assets that belong to others for the benefit of individuals and other agencies outside the government such as employee groups, members of the public, and other governments. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The City maintains two types of fiduciary funds. Custodial fund, the Michigan Western Gateway Trail Authority, is used to account for and report fiduciary activities that are not reported as another fiduciary fund type. The remaining fiduciary fund types include a pension trust fund which accumulates resources for pension benefit payments to qualified police and fire retirees.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this discussion and analysis, required pension schedules and the general fund budget and actual presentation. Supplemental information follows the required pension schedules and includes combining and individual fund statements and schedules.

Government-Wide Financial Analysis

Net position serves as an indicator of the City's financial position and overall performance. As shown on the following table total assets and deferred outflows exceeded total liabilities and deferred inflows by \$6,181,831 for the City's primary government.

Net investment in capital assets (land, building, and equipment) make up the largest portion of the City's total net position. These capital assets are used to provide services to the general public and are not available for future spending. Even though net investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

Net Position

	Governmental Activities		Business-type Activities	
	2020	2019	2020	2019
Assets				
Current Assets	\$ 1,002,138	\$ 942,781	\$ 1,807,183	\$ 1,229,165
Capital assets - net	1,407,626	1,498,249	7,646,426	7,029,354
Total assets	<u>2,409,764</u>	<u>2,441,030</u>	<u>9,453,609</u>	<u>8,258,519</u>
Deferred outflows of resources - Pension	341,517	365,376	62,011	67,076
Liabilities				
Current liabilities	55,405	63,755	329,399	824,771
Noncurrent liabilities	1,026,636	1,099,958	4,105,707	3,061,812
Total liabilities	<u>1,082,041</u>	<u>1,163,713</u>	<u>4,435,106</u>	<u>3,886,583</u>
Deferred inflows of resources - Pension	468,989	426,217	98,934	92,650
Net position				
Net investment in capital assets	1,149,626	1,213,249	4,354,108	4,120,354
Restricted	519,095	482,749	48,178	-
Unrestricted	<u>(468,470)</u>	<u>(479,522)</u>	<u>579,294</u>	<u>(113,256)</u>
Total net position	<u>\$ 1,200,251</u>	<u>\$ 1,216,476</u>	<u>\$ 4,981,580</u>	<u>\$ 4,346,362</u>

CITY OF BESSEMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Governmental Activities

As shown on the following table, governmental activities decreased the City's net position by \$16,225. In prior year, the net position of governmental activities changed by \$203,787. The current to prior year change in governmental activities is due to an decrease in overall revenues of \$129,884 and an increase in overall expenditures of \$90,128. The increases in overall revenue were mainly due to increases in property tax, grants, and contributions. The increases in expenses was due to increases in general government, public safety, public works, and recreation.

Business-type Activities

As shown below on the following table, business-type activities changed the City's net position by \$635,218. In prior year, the net position of business-type activities changed by \$1,810,284. The current to prior year change in business-type activities is due to a decrease in overall revenues of 1,079,607 and an increase in overall expenditures of \$95,459. The decrease in overall revenue is due to decreases in grants and contributions. The decrease in expenditures is due to decreases in operations and maintenance.

Changes in Net Position

	Governmental Activities		Business-type Activities	
	2020	2019	2020	2019
Program Revenue:				
Charges for services	\$ 354,718	\$ 486,924	\$ 1,476,207	\$ 1,248,848
Grants and contributions	595,250	561,117	-	-
Capital grants and contributions	8,029	41,042	607,600	1,909,496
General Revenue:				
Property taxes	572,827	574,717	-	-
State shared revenue	247,924	235,998	-	-
Increase (decrease) in fair value of investments	18,099	22,354	15,669	17,637
Proceeds on sale of equipment	-	6,409	-	-
Interest revenue	10,267	8,437	6,616	9,718
Total revenues	<u>1,807,114</u>	<u>1,936,998</u>	<u>2,106,092</u>	<u>3,185,699</u>
Expenses				
General government	797,596	724,707	-	-
Public safety	208,340	133,221	-	-
Public works	674,630	768,593	1,370,541	1,317,137
Recreation	132,745	95,696	-	-
Interest	6,362	9,251	100,333	58,278
Other	3,666	1,743	-	-
Total expenses	<u>1,823,339</u>	<u>1,733,211</u>	<u>1,470,874</u>	<u>1,375,415</u>
Change in net position	(16,225)	203,787	635,218	1,810,284
Net position - Beginning	<u>1,216,476</u>	<u>1,012,689</u>	<u>4,346,362</u>	<u>2,536,078</u>
Net position - Ending	<u>\$ 1,200,251</u>	<u>\$ 1,216,476</u>	<u>\$ 4,981,580</u>	<u>\$ 4,346,362</u>

CITY OF BESSEMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

The following highlight the City's governmental activities by revenues and expenses.

	<u>2020</u>	<u>% of total</u>	<u>2019</u>	<u>% of total</u>
Revenues				
Charges for services	\$ 354,718	19.65 %	\$ 486,924	25.15 %
Property taxes	572,827	31.70 %	574,717	29.67 %
Grants and contributions	603,279	33.38 %	602,159	31.09 %
State shared revenue	247,924	13.72 %	235,998	12.18 %
Increase (decrease) in fair value of investments	18,099	0.99 %	22,354	1.14 %
Proceeds on sale of asset	-	- %	6,409	0.33 %
Interest revenue	10,267	0.56 %	8,437	0.44 %
Total revenues	<u>\$ 1,807,114</u>	<u>100.00 %</u>	<u>1,936,998</u>	<u>100.00 %</u>
Expenditures				
General government	\$ 797,596	43.74 %	\$ 724,707	41.81 %
Public works	674,630	37.00 %	768,593	44.35 %
Public safety	208,340	11.43 %	133,221	7.69 %
Sanitation	-	- %	95,696	5.52 %
Recreation and culture	132,745	7.28 %	-	- %
Interest	6,362	0.35 %	9,251	0.53 %
Other	3,666	0.20 %	1,743	0.10 %
Total expenditures	<u>\$ 1,823,339</u>	<u>100.00 %</u>	<u>\$ 1,733,211</u>	<u>100.00 %</u>

Significant Transactions and Changes in Individual Funds

A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

GENERAL FUND

The decrease in General Fund revenues is due to a combination of increases in revenue from state sources and equipment rentals included within charges for services and a reduction in charges for services related to garbage collection fees which are now included in a separate fund, Trash Disposal Fund.

General Fund expenses increased in all areas as compared to prior year except for the area of public works as a result of recording expenses related to garbage collection to a separate fund as noted above.

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Revenues/Transfers	\$ 1,529,138	\$ 1,633,998	\$ (104,860)
Expenditures/Transfers	\$ 1,455,094	\$ 1,408,292	\$ 46,802
Fund Balance	\$ 686,245	\$ 612,201	\$ 74,044

CITY OF BESSEMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

SPECIAL REVENUE FUNDS

Major Street Fund - The Major Street Fund revenues increased due to increases in Act 51 payments. Expenditures increased mainly due to an increase in transfers to the local street fund.

Local Street Fund - Local Street Fund revenues increased due to a combination of a decrease in state revenue and an increase in transfers in from the major street fund.

DDA Fund - Revenues and expenses in the Downtown Development Authority fund are consistent with prior years.

	2020	2019	Change
Major Street			
Revenues/Transfers	\$ 359,205	\$ 352,875	\$ 6,330
Expenditures/Transfers	\$ 346,932	\$ 301,426	\$ 45,506
Fund Balance	\$ 179,229	\$ 166,956	\$ 12,273
Local Street			
Revenues/Transfers	\$ 247,434	\$ 237,796	\$ 9,638
Expenditures/Transfers	\$ 273,815	\$ 242,381	\$ 31,434
Fund Balance	\$ 2,439	\$ 28,820	\$ (26,381)
DDA			
Revenues/Transfers	\$ 48,713	\$ 41,869	\$ 6,844
Expenditures/Transfers	\$ 41,113	\$ 37,947	\$ 3,166
Fund Balance	\$ 80,245	\$ 72,645	\$ 7,600

ENTERPRISE FUNDS

Sewer Fund - Revenues in the Sewer Fund were significantly lower in the current year due to the receipt of USDA Grant funds for a sewer improvement project in the prior year. The expenditures in the Sewer Fund decreased mainly due to the completion of the S.A.W grant in prior year.

Water Fund - Revenues in the Water Fund increased due to rate increases late in prior year. An upcoming water project has triggered the need to increase water rates to help finance the pending project. Water Fund expenses were consistent with prior year.

Trash Disposal Fund - Comparatives from previous year are non-applicable in current year because this is the first year the fund is being reported.

	2020	2019	Change
Sewer			
Revenues/Transfers	\$ 1,210,913	\$ 2,486,743	\$ (1,275,830)
Expenditures/Transfers	\$ 631,649	\$ 679,121	\$ (47,472)
Fund Balance	\$ 3,176,218	\$ 2,596,954	\$ 579,264
Water			
Revenues/Transfers	\$ 727,074	\$ 698,956	\$ 28,118
Expenditures/Transfers	\$ 681,798	\$ 696,294	\$ (14,496)
Fund Balance	\$ 1,794,684	\$ 1,749,408	\$ 45,276
Trash Disposal Fund			
Revenues/Transfers	\$ 168,105	\$ -	\$ 168,105
Expenditures/Transfers	\$ 157,427	\$ -	\$ 157,427
Fund Balance	\$ 10,678	\$ -	\$ 10,678

**CITY OF BESSEMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

DEBT SERVICE FUND

Building Authority - There were no significant variances between current year and prior year expenses.

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Building Authority			
Revenues/Transfers	\$ 9,228	\$ 9,465	\$ (237)
Expenditures/Transfers	\$ 9,228	\$ 9,465	\$ (237)
Fund Balance	\$ -	\$ -	\$ -

General Fund Budgetary Highlights

During the year ended June 30, 2020, the City amended the budget at various times throughout the year. The amendments were done to cover unbudgeted expenditures. The amendments were mainly required to reconcile actual versus budgeted levels of effort required for various maintenance activities.

Revenue received as a whole was more than what the City had originally budgeted. Actual revenue was \$5,414 higher than the final amended revenue budget. Expenditures as a whole were less than what the City had originally expected. Actual expenditures were \$88,695 less than the final amended budget.

Financial Analysis

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 balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined unassigned fund balances of \$353,417.

The General Fund is the main operating fund of the City. At the end of the current fiscal year, the total fund balance of the General Fund was \$686,245.

The fund balance of the City's General Fund increased by \$74,044 during the fiscal year.

Proprietary Funds - The City's proprietary funds provides the same type of information found in the government-wide financial statements, but in more detail. Net position at the end of the year amounted to \$4,981,580.

Capital Assets and Debt Administration

Capital asset additions totaling \$5,923,588 include the purchase of a dump truck and expenses incurred on the sewer waste water project.

Additional information on the City's capital assets can be found on page 34 of this report.

Long-term Debt – At the end of the current fiscal year, the City had total debt of \$4,220,000.

Additional information on the City's long-term debt can be found starting on page 36 of this report.

**CITY OF BESSEMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need additional information, contact the City Manager at 411 South Sophie Street, Bessemer, Michigan 49911 or call (906) 663-4311.

CITY OF BESSEMER
STATEMENT OF NET POSITION
June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 800,784	\$ 1,324,308	\$ 2,125,092
Restricted cash	-	48,178	48,178
Investments	121,005	-	121,005
Receivables	143	332,441	332,584
Inventories	15,378	64,889	80,267
Prepaid expenses	17,262	-	17,262
Due from other funds	(37,367)	37,367	-
Due from government units	84,933	-	84,933
Capital assets - net	1,407,626	7,646,426	9,054,052
Total assets	2,409,764	9,453,609	11,863,373
Deferred outflow of resources - pension	341,517	62,011	403,528
Liabilities			
Accounts payable	34,453	248,695	283,148
Accrued expenses	19,472	2,167	21,639
Accrued interest payable	1,425	61,546	62,971
Due to other units of government	55	16,991	17,046
Bonds payable, due in one year	19,750	48,000	67,750
Note payable, due in one year	8,500	135,272	143,772
Bonds payable, due in more than one year	178,750	2,814,000	2,992,750
Note payable, due in more than one year	51,000	964,728	1,015,728
Net pension liability	719,483	143,707	863,190
Accrued benefits	49,153	-	49,153
Total liabilities	1,082,041	4,435,106	5,517,147
Deferred inflow of resources - pension	468,989	98,934	567,923
Net position			
Net investment in capital assets	1,149,626	4,354,108	5,503,734
Restricted			
Streets and highways	176,995	-	176,995
DDA	80,245	-	80,245
Perpetual care	261,855	-	261,855
Debt service	-	48,178	48,178
Unrestricted	(468,470)	579,294	110,824
Total net position	\$ 1,200,251	\$ 4,981,580	\$ 6,181,831

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF BESSEMER
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Grants and Contributions		Primary Government		
			Operating	Capital	Governmental	Business-Type	Total
Government Activities							
General government	\$ 797,596	\$ 239,453	\$ -	\$ -	\$ (558,143)	\$ -	\$ (558,143)
Public safety	208,340	-	-	-	(208,340)	-	(208,340)
Public works	674,630	-	536,262	-	(138,368)	-	(138,368)
Recreation and culture	132,745	-	58,988	8,029	(65,728)	-	(65,728)
Interest on long-term debt	6,362	-	-	-	(6,362)	-	(6,362)
Other	3,666	115,265	-	-	111,599	-	111,599
Total governmental activities	<u>1,823,339</u>	<u>354,718</u>	<u>595,250</u>	<u>8,029</u>	<u>(865,342)</u>	<u>-</u>	<u>(865,342)</u>
Business-type activities:							
Water	681,798	706,022	-	-	-	24,224	24,224
Sewer	631,649	602,080	-	607,600	-	578,031	578,031
Trash Disposal Fund	157,427	168,105	-	-	-	10,678	10,678
Total business-type activities	<u>1,470,874</u>	<u>1,476,207</u>	<u>-</u>	<u>607,600</u>	<u>-</u>	<u>612,933</u>	<u>612,933</u>
Total primary government	<u>\$ 3,294,213</u>	<u>\$ 1,830,925</u>	<u>\$ 595,250</u>	<u>\$ 615,629</u>	<u>(865,342)</u>	<u>612,933</u>	<u>(252,409)</u>
General revenues:							
Property taxes, levied for general operations					572,827	-	572,827
State revenue					247,924	-	247,924
Interest and investment earnings					10,267	6,616	16,883
Increase/(decrease) in fair value of investments					18,099	15,669	33,768
Total general revenues, transfers, and special items					<u>849,117</u>	<u>22,285</u>	<u>871,402</u>
Change in net position					(16,225)	635,218	618,993
Net position - Beginning of year					<u>1,216,476</u>	<u>4,346,362</u>	<u>5,562,838</u>
Net position - End of year					<u>\$ 1,200,251</u>	<u>\$ 4,981,580</u>	<u>\$ 6,181,831</u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF BESSEMER
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2020

	Major Governmental Funds				Total Governmental Funds
	General Fund	Major Street	Local Street	Non-Major Fund	
Assets					
Cash and cash equivalents	\$ 519,638	\$ 190,906	\$ 9,466	\$ 80,774	\$ 800,784
Investments	121,005	-	-	-	121,005
Accounts receivable	143	-	-	-	143
Due from government units	33,992	35,735	15,206	-	84,933
Due from other funds	80,611	4,878	1,912	3,278	90,679
Inventories	-	7,689	7,689	-	15,378
Prepaid expenses	17,262	-	-	-	17,262
Total assets	\$ 772,651	\$ 239,208	\$ 34,273	\$ 84,052	\$ 1,130,184
Liabilities					
Accounts payable	\$ 29,293	\$ 2,550	\$ 2,610	\$ -	\$ 34,453
Accrued expenses	16,857	1,833	782	-	19,472
Due to other units of government	55	-	-	-	55
Due to other funds	40,201	55,596	28,442	3,807	128,046
Total liabilities	\$ 86,406	\$ 59,979	\$ 31,834	\$ 3,807	\$ 182,026
Fund balances					
Nonspendable:					
Inventories	-	7,689	7,689	-	15,378
Prepays	17,262	-	-	-	17,262
Restricted:					
Perpetual care	261,855	-	-	-	261,855
Streets and highways	-	171,540	-	-	171,540
Program projects	-	-	-	80,245	80,245
Assigned:					
Capital projects	48,461	-	-	-	48,461
Unassigned	358,667	-	(5,250)	-	353,417
Total fund balances	\$ 686,245	\$ 179,229	\$ 2,439	\$ 80,245	\$ 948,158
Total liabilities and fund balances	\$ 772,651	\$ 239,208	\$ 34,273	\$ 84,052	\$ 1,130,184

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF BESSEMER
GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET (Continued)
June 30, 2020

Fund balance reported in governmental funds	\$ 948,158
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,407,626
Net pension liability	(719,483)
Deferred outflows and inflows from the difference between pension changes of assumptions and contributions subsequent to the measurement date.	(127,472)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(308,578)</u>
Net position of governmental activities	<u><u>\$ 1,200,251</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF BESSEMER
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2020

	<u>General Fund</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Non-Major Fund</u>	<u>Total</u>
Revenues					
Property taxes	\$ 532,429	\$ -	\$ -	\$ 40,398	\$ 572,827
State revenue	247,924	358,830	177,432	-	784,186
State grants	58,029	-	-	-	58,029
Charges for services	573,179	-	-	-	573,179
Fines and forfeitures	200	-	-	-	200
Interest	9,575	375	2	315	10,267
Other revenues	89,703	-	-	8,000	97,703
Total revenues	<u>1,511,039</u>	<u>359,205</u>	<u>177,434</u>	<u>48,713</u>	<u>2,096,391</u>
Expenditures					
General government	819,683	85,225	78,583	38,113	1,021,604
Public safety	208,001	-	-	-	208,001
Public works	256,570	194,707	195,232	-	646,509
Recreation and culture	133,641	-	-	-	133,641
Debt service	27,971	-	-	9,228	37,199
Total expenditures	<u>1,445,866</u>	<u>279,932</u>	<u>273,815</u>	<u>47,341</u>	<u>2,046,954</u>
Excess (deficiency) of revenues over expenditures	<u>65,173</u>	<u>79,273</u>	<u>(96,381)</u>	<u>1,372</u>	<u>49,437</u>
Other financing sources (uses)					
Increase/(decrease) in fair value of investments	18,099	-	-	-	18,099
Operating transfers in (out)	(9,228)	(67,000)	70,000	6,228	-
Total other financing sources (uses)	<u>8,871</u>	<u>(67,000)</u>	<u>70,000</u>	<u>6,228</u>	<u>18,099</u>
Net change in fund balances	74,044	12,273	(26,381)	7,600	67,536
Fund balances - Beginning of year	<u>612,201</u>	<u>166,956</u>	<u>28,820</u>	<u>72,645</u>	<u>880,622</u>
Fund balances - End of year	<u>\$ 686,245</u>	<u>\$ 179,229</u>	<u>\$ 2,439</u>	<u>\$ 80,245</u>	<u>\$ 948,158</u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF BESSEMER
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

Net change in fund balances - total governmental funds	\$	67,536
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation		(90,623)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position		27,000
The change in net pension liability amounts does not require the use of current resources and is not reported in the governmental funds		(15,278)
Accrued expenses recorded in the statement of activities are not recorded as expenditures in the governmental funds until they are incurred.		<u>(4,860)</u>
Change in net position of governmental activities	\$	<u><u>(16,225)</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF BESSEMER
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2020

	Major Funds		Non-major Fund	Total
	Sewer Fund	Water Fund	Trash Disposal Fund	
Assets				
Cash and cash equivalents	\$ 552,921	\$ 771,387	\$ -	\$ 1,324,308
Restricted cash	48,178	-	-	48,178
Accounts receivable	148,505	140,310	43,626	332,441
Due from other funds	6,932	51,508	-	58,440
Inventories	9,129	55,760	-	64,889
Capital assets - net	5,966,592	1,679,834	-	7,646,426
Total assets	6,732,257	2,698,799	43,626	9,474,682
Deferred outflow of resources - pension	9,615	52,396	-	62,011
Liabilities				
Accounts payable	59,576	176,644	12,475	248,695
Accrued expenses	183	1,984	-	2,167
Accrued interest payable	40,313	21,233	-	61,546
Due to other funds	-	600	20,473	21,073
Due to other units of government	16,991	-	-	16,991
Bonds payable, due in one year	48,000	-	-	48,000
Note payable, due in one year	67,636	67,636	-	135,272
Bonds payable, due in more than one year	2,814,000	-	-	2,814,000
Note payable, due in more than one year	482,364	482,364	-	964,728
Net pension liability	21,911	121,796	-	143,707
Total liabilities	3,550,974	872,257	32,948	4,456,179
Deferred inflow of resources - pension	14,680	84,254	-	98,934
Net Position				
Restricted	48,178	-	-	48,178
Unrestricted	3,128,040	1,794,684	10,678	4,933,402
Total net position	\$ 3,176,218	\$ 1,794,684	\$ 10,678	\$ 4,981,580

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF BESSEMER
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
Year ended June 30, 2020

	Major Funds		Non-major Fund	Total
	Sewer Fund	Water Fund	Trash Disposal Fund	
Operating revenues				
Sales	\$ 602,080	\$ 706,022	\$ 168,105	\$ 1,476,207
Operating expenses				
General administration	422,671	162,254	-	584,925
Meter reading	3,468	3,716	-	7,184
Purchased services	-	322,071	-	322,071
Operations and maintenance	10,947	115,869	157,427	284,243
Depreciation	115,463	56,655	-	172,118
Total operating expenses	<u>552,549</u>	<u>660,565</u>	<u>157,427</u>	<u>1,370,541</u>
Operating income (loss)	<u>49,531</u>	<u>45,457</u>	<u>10,678</u>	<u>105,666</u>
Non-operating revenues (expenses)				
Interest income	1,233	5,383	-	6,616
Interest expense	(79,100)	(21,233)	-	(100,333)
Increase/(decrease) in fair value of investments	-	15,669	-	15,669
Total non-operating revenues (expenses)	<u>(77,867)</u>	<u>(181)</u>	<u>-</u>	<u>(78,048)</u>
Income (loss) before capital contributions	<u>(28,336)</u>	<u>45,276</u>	<u>10,678</u>	<u>27,618</u>
Capital contributions				
Federal grants	<u>607,600</u>	<u>-</u>	<u>-</u>	<u>607,600</u>
Change in net position	579,264	45,276	10,678	635,218
Net position (deficit), beginning of the year	<u>2,596,954</u>	<u>1,749,408</u>	<u>-</u>	<u>4,346,362</u>
Net position (deficit), end of year	<u>\$ 3,176,218</u>	<u>\$ 1,794,684</u>	<u>\$ 10,678</u>	<u>\$ 4,981,580</u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF BESSEMER
ENTERPRISE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
Year ended June 30, 2020

	<u>Major Funds</u>		<u>Non-major Fund</u>	<u>Total</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Trash Disposal Fund</u>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 779,039	\$ 681,451	\$ 124,479	\$ 1,584,969
Payments to suppliers	(978,779)	(494,889)	(144,952)	(1,618,620)
Payments to employees	(7,787)	(65,984)	-	(73,771)
Net cash provided by operating activities	<u>(207,527)</u>	<u>120,578</u>	<u>(20,473)</u>	<u>(107,422)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating subsidies and transfers to other funds	<u>19,165</u>	<u>(23,404)</u>	<u>20,473</u>	<u>16,234</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on debt	(47,000)	-	-	(47,000)
Non-operating grants	607,600	-	-	607,600
Loan proceeds	550,000	550,000	-	1,100,000
Interest expense	(79,100)	(21,233)	-	(100,333)
Purchases of capital assets	(498,186)	(291,004)	-	(789,190)
Net cash (used) by capital and related financing activities	<u>533,314</u>	<u>237,763</u>	<u>-</u>	<u>771,077</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	-	277,001	-	277,001
Interest and dividends	1,233	5,383	-	6,616
Net cash (used) provided by investing activities	<u>1,233</u>	<u>282,384</u>	<u>-</u>	<u>283,617</u>
Net increase/(decrease) in cash	346,185	617,321	-	963,506
Balances - beginning of the year	<u>254,914</u>	<u>154,066</u>	<u>-</u>	<u>408,980</u>
Balances - end of the year	<u>\$ 601,099</u>	<u>\$ 771,387</u>	<u>\$ -</u>	<u>\$ 1,372,486</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 49,531	\$ 45,457	\$ 10,678	105,666
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	115,463	56,655	-	172,118
Change in assets and liabilities				
Receivables, net	176,959	(24,571)	(43,626)	108,762
Deferred outflows and inflows	1,612	9,737	-	11,349
Inventory	(120)	(720)	-	(840)
Accounts and other payables	(571,906)	11,935	12,475	(547,496)
Accrued expenses	20,934	22,085	-	43,019
Net cash provided by operating activities	<u>\$ (207,527)</u>	<u>\$ 120,578</u>	<u>\$ (20,473)</u>	<u>\$ (107,422)</u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF BESSEMER
FIDUCIARY FUNDS
COMBINED STATEMENT OF FIDUCIARY NET POSITION
June 30, 2020

	<u>Pension Trust Fund</u>	<u>Custodial Fund</u>
	Police and Firemen Retirement Fund	Michigan Western Gateway Trail Authority
Assets		
Restricted cash	\$ 1,516	\$ 197,518
Restricted investments	98,753	-
Due from other governmental units	-	-
Total assets	<u>100,269</u>	<u>197,518</u>
Liabilities		
Accounts payable	-	25,106
Due to other governmental units	<u>2,025</u>	<u>-</u>
Total liabilities	<u>2,025</u>	<u>25,106</u>
Net position		
Restricted for		
Held in trust for pension benefits	98,244	-
Individuals, organizations and other governments	<u>-</u>	<u>172,467</u>
Total net position	<u>\$ 98,244</u>	<u>\$ 172,467</u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF BESSEMER
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year ended June 30, 2020

	<u>Pension Trust Fund</u>	<u>Custodial Fund</u>
	Police and Firemen Retirement Fund	Michigan Western Gateway Trail Authority
Additions		
Investment income		
Investment earnings	\$ 5,322	\$ -
Other additions		
Collections for other organizations	-	276,309
Total additions	<u>5,322</u>	<u>276,309</u>
Deductions		
Fees	70	-
Benefits - retirement	24,300	-
Payments to individuals, organizations, and other governments	-	103,842
Total deductions	<u>24,370</u>	<u>103,842</u>
Change in net position	(19,048)	172,467
Net position, beginning of year	<u>117,292</u>	<u>-</u>
Net position, end of year	<u>\$ 98,244</u>	<u>\$ 172,467</u>

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2020

The City of Bessemer, Michigan (the “City”) operates under a Council-Manager form of government as authorized by its charter. The City of Bessemer provides services for public safety, public works, sanitation, recreation, and community development as authorized by its charter.

The accounting policies of the City of Bessemer conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies:

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Bessemer (the primary government) and its component units. The criteria and guidelines of the Governmental Accounting Standards Board Statement Number 14 The Reporting Entity are utilized to determine that all applicable entities are included in the combined financial statements of the City. The primary criterion for inclusion is the degree of oversight responsibility over such entities by the City's elected officials. This responsibility includes financial interdependency, selection of governing authority, selection of management, ability to significantly influence operations, and accountability for fiscal matters. Additional criteria that are considered even if there is no significant oversight responsibility are an entity's scope of public service and special financing relationships between a particular agency and the reporting entity. Based on this criteria, the City has no component units.

JOINT VENTURES

Bessemer Area Sewer Authority

The City is a member of the Bessemer Area Sewer Authority (BASA), a joint venture. It has been incorporated by the City of Bessemer and Bessemer Township, both located in Gogebic County, Michigan. The BASA operates under a board of directors consisting of three members, two appointed by the City, and one by Bessemer Township. As a joint venture, the BASA operates independent from the member municipalities and is not considered a component unit of the City. Separate financial statements of the BASA are available at the office of the BASA located at E7840 Stone Road, Bessemer, Michigan.

A summary of the Authorities financial information for the year ended June 30, 2019 (most recent year audited) shows the following:

Total Assets	\$	7,162,912
Total Liabilities	\$	1,535,323
Total Net Position	\$	5,627,589
Total Revenues	\$	477,179
Total Expenses	\$	521,830
Long-Term Debt	\$	1,501,000

Gogebic Range Water Authority

The City is a member of the Gogebic Range Water Authority (GRWA), a joint venture. It has been incorporated by the Charter Township of Ironwood, Cities of Bessemer and Wakefield, along with the Township of Bessemer and Wakefield, all of Gogebic County. The GRWA operates under a board of directors consisting of eleven members, two appointed by each of the constituent municipalities, and 1 at large member appointed by the board of directors. The GRWA operates independent from the member municipalities and is not considered a component unit of the City. Separate financial statements of the GRWA are available through their representative at P.O. Box 445, Ramsay, Michigan 49959.

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of the Authorities financial information for the year ended June 30, 2020 (most recent year audited) shows the following:

Total Assets	\$ 29,458,230
Total Liabilities	\$ 13,441,334
Total Net Position	\$ 16,016,896
Total Revenues	\$ 994,851
Total Expenditures	\$ 1,346,398
Long-Term Debt	\$ 13,212,000

Gogebic Range Solid Waste Management Authority

The City is a member of the Gogebic Range Solid Waste Management Authority (GRSWMA), a joint venture. It has been incorporated by its member municipalities, including the City of Bessemer. The GRSWMA is governed by a Board of Trustees comprised of members from the member municipalities. The GRSWMA operates independent from the member municipalities and is not considered a component unit of the City. Separate financial statements of the GRSWMA are available at the office located at E5917 U.S.2, Ironwood, Michigan 49938.

A summary of the Authorities financial information for the year ended June 30, 2020 (most recent year audited) shows the following:

Total Assets	\$ 1,765,615
Total Liabilities	\$ 588,389
Total Net Position	\$ 1,177,226
Total Revenues	\$ 1,245,916
Total Expenditures	\$ 1,232,242
Long-Term Debt	\$ 261,058

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The statement of net position demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the City.

In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position are reported in three parts – net investment in capital assets; restricted; and unrestricted net position.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide statement of net position reports both the gross and net cost of each of the City's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenues). The statement of net position reduces gross expenses by related program revenues and operating grants. Program revenue must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The City does not allocate indirect costs.

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Separate financial statements are provided for governmental funds, Enterprise Funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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, unrestricted State aid, intergovernmental grants, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government unit.

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Major Street Fund- The Major Street Fund accounts for the State of Michigan Public Act 51 monies that are used to construct and maintain major road systems.

Local Street Fund - The Local Street Fund accounts for the State of Michigan Public Act 51 monies that are used to construct and maintain local road systems.

Other non-major funds include the Downtown Development Authority Fund and Debt Service (Building Authority).

PROPRIETARY FUND TYPES

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary funds principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds included the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following proprietary funds:

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water Fund and Sewer Fund are enterprise type funds.

The City reports the following major proprietary funds:

Sewer Fund- The Sewer Fund records maintenance and operations of the sewer services provided for City residents and is financed through user charges.

Water Fund- The Water Fund records maintenance and operations of the water system services provided for the City residents and it is financed through user charges.

Trash Disposal Fund - The Trash Disposal Fund records operations of the trash disposal services provided for the City residents and it is financed through user charges.

FIDUCIARY FUND TYPES

The Fiduciary Fund is used to account for the assets held by the City in a trustee capacity or as an agent for individual, private organizations, other governments and/or other funds. This type of fund includes the Custodial Fund and Pension Trust Fund and are reported within the basic financial statements. The custodial fund includes the Michigan Western Gateway Trail Authority. The City holds the assets for the Authority and disburses the resources when authorized by the authority. The pension trust fund includes the Police and Firemen Retirement Fund which accumulates resources for pension benefit payments to qualified police and fire retirees. Fiduciary funds are excluded from the Government-wide statements because the City cannot use these assets to finance its operations.

The City does not report any Fiduciary funds as a major fund.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

Modified Accrual Method - 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 City 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 done.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Other Accounting Policies

Cash and cash equivalents - Cash and equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments - The City reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40, Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the City intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorizes the City to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The City is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, banker’s acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Property Taxes - Property taxes are assessed and lien as of December 31, and are levied annually on July 1 with a due date of August 15. A three percent (3%) penalty per month is added to the tax liability for taxes not paid by August 15.

The City bills and collects its own property taxes, and those of the local school District, the Intermediate School District, and County. City property tax revenues are recognized when levied to the extent that they result in current receivables.

<u>Fund</u>	<u>Purpose</u>	<u>Mills</u>
General	Operating	17.3564
General	Library	1.0000

Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position - Deferred outflows are reported in a separate section following assets, and deferred inflows are reported in a separate section following liabilities. The statement of net position then arrives at net position which includes the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

Pensions - For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS’ fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance - Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either a.) Not in spendable form, or b.) Legally or contractually require to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, laws or regulations of other governments. Committed fund balance, if any, is reported from amounts that can be used for specific purposes pursuant to constraints imposed by formal action by the government’s highest level of decision making authority, the Council. A formal resolution of the Council is required to establish, modify or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund.

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the City's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned balance.

Receivables and Payables - Activity between funds are reported as "due to/from other funds." All receivables, including property taxes receivables, are shown net of allowance for uncollectables.

Inventory - Inventory is valued at the lower of cost (first-in, first-out) or market. The individual inventories are recorded as an asset when purchased.

Capital Assets – Capital assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Fixed assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Vehicles	5-10 years
Furniture and other equipment	5-10 years

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with an activity are included on their balance sheets. Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation is generally reflected over the estimated useful lives using the straight line method.

Long-term Debt - The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. General obligation bonds are direct obligations and pledge the full faith and credit of the township. Other long-term debt include revenue bonds and compensated absences. Revenue bonds are paid back through charges for services in the enterprise funds.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures as it is in the government-wide statements.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Encumbrances - Encumbrances are defined as commitments related to unperformed contracts for goods and services. The City does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2020

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Requirements for preparing the City's annual budget are outlined in the City Charter. Major procedures in preparing the annual budget are as follows:

1. On or before the 1st Monday in April of each year, the City Manager submits to the City Council an operating budget and capital improvement projections for the ensuing fiscal year.
2. A public hearing on the budget is held not less than one week before the budget's final adoption at such time as the council shall direct.
3. On or before the last day in May, the Council, by resolution, adopts a budget for the ensuing fiscal year.
4. The City Council adopts the budget by activity categories generally the same as those presented in the combined financial statements. All budget amendments and transfers during the fiscal year are approved by the Council. The City Council has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur and the amount of the deviation can be determined. The City maintains and monitors the budget on a line item basis for accounting control purposes. During the year ended June 30, 2020, the City's budget had been amended.
5. The City allows all unencumbered and unexpended appropriations to lapse at year end.

In accordance with the State of Michigan Budgeting and Accounting Act, the City must adopt an annual operating budget for the General and Special Revenue Funds.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the General Fund, Major Street and Local Street Funds are noted in the required supplementary information section.

NOTE C - CASH AND INVESTMENTS

At year-end, the City's cash deposits, checking, savings and certificates of deposit with a maturity of three months or less when acquired, were reported in the basic financial statements in the following categories and breakdown between deposits and investments for the City is as follows:

	Governmental Funds	Enterprise	Total	Fiduciary
Cash and cash equivalents	\$ 800,784	\$ 1,324,308	\$ 2,125,092	\$ -
Restricted cash	-	48,178	48,178	199,034
Total cash	800,784	1,372,486	2,173,270	199,034
Investments	121,005	-	121,005	-
Total cash and investments	<u>\$ 921,789</u>	<u>\$ 1,372,486</u>	<u>\$ 2,393,028</u>	<u>\$ 199,034</u>

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2020

NOTE C - CASH AND INVESTMENTS (Continued)

Michigan law authorizes the City to deposit and invest in:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bill or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
2. Certificates of deposits issued by the State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the Federal Deposit Insurance Corporation.
5. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
6. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk - Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2020, \$1,564,210 of the City's bank balance of \$2,445,775 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

Custodial Credit Risk - Investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business.

Interest Rate Risk - In accordance with its investment policy, the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the City's cash requirements.

Concentration of Credit Risk - The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2020

NOTE C - CASH AND INVESTMENTS (Continued)

Credit Risk - State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investments pools as identified in the list of authorized investments below. The City's investment policy does not have specific limits in excess of state law on investment credit risk.

At year end, the maturities of investments, including fiduciary funds, and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Rating</u>	<u>Rated by</u>
Federal Home Loan Bank	\$ 121,005	Various	Aaa	Moody's

Fair Value Measurement - The City is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority;
- Level 2 inputs consist of observable inputs other than quoted prices for identical assets;
- Level 3 inputs consist of unobservable inputs and have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Municipal bonds and notes	\$ 121,005	\$ -	\$ 121,005	\$ -

NOTE D - TRANSFERS AND INTERFUND BALANCES

For the year then ended, interfund transfers consisted of the following:

<u>Fund</u>	<u>Transfer Out</u>	<u>Fund</u>	<u>Transfer In</u>
General	\$ 9,228	Local Street	\$ 70,000
Major Street	70,000	Major Street	3,000
DDA	3,000	Building Authority	9,228
Total	\$ 82,228	Total	\$ 82,228

The transfers from the General and Major Street funds to the Local Street and Building Authority funds represents the use of unrestricted resources to finance these programs, in accordance with budgetary authorizations.

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2020

NOTE D - TRANSFERS AND INTERFUND BALANCES (Continued)

The amounts of interfund receivables and payables at June 30, 2020 are as follows:

<u>Fund</u>	Interfund Receivable	<u>Fund</u>	Interfund Payable
General	\$ 60,138	General	\$ 40,201
Major	4,878	Major	55,596
Local	1,912	Local	28,442
Sewer	6,932	Water	600
Water	51,508	DDA	3,807
DDA	3,278		
Total	<u>\$ 128,646</u>	Total	<u>\$ 128,646</u>

Generally, outstanding balances between funds reported as “due to/from other funds” include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payable between funds.

NOTE E - RECEIVABLES

The detail of receivables at June 30, 2020 are as follows:

<u>Receivables</u>	<u>General Fund</u>	<u>Enterprise</u>	<u>Total</u>
Accounts receivable	\$ 143	\$ 332,441	\$ 332,584

NOTE F - CAPITAL ASSETS

Capital Asset activity of the City’s governmental activities was as follows:

	Balance <u>July 01, 2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2020</u>
Capital assets, not being depreciated				
Land	\$ 320,899	\$ -	\$ -	\$ 320,899
Capital assets, being depreciated				
Buildings	934,522	\$ -	\$ -	934,522
Equipment	1,584,021	10,812	-	1,594,833
Office equipment	40,088	-	-	40,088
Vehicles	5,112	-	-	5,112
Improvements	831,266	-	-	831,266
Subtotal	<u>3,395,009</u>	<u>\$ 10,812</u>	<u>\$ -</u>	<u>3,405,821</u>
Accumulated depreciation				
Building	597,470	\$ 21,540	\$ -	619,010
Equipment	1,304,021	41,317	-	1,345,338
Office equipment	39,535	555	-	40,090
Vehicles	3,590	730	-	4,320
Improvements	273,043	37,293	-	310,336
Subtotal	<u>2,217,659</u>	<u>\$ 101,435</u>	<u>\$ -</u>	<u>2,319,094</u>
Net capital assets being depreciated	<u>1,177,350</u>			<u>1,086,727</u>
Net capital assets	<u>\$ 1,498,249</u>			<u>\$ 1,407,626</u>

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2020

NOTE F - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental activities of the City as follows:

General Fund	\$ 71,265
Building Authority	8,800
Major Streets Fund	18,322
Local Streets Fund	3,048
	<u>\$ 101,435</u>

The components of property, plant, and equipment in City proprietary funds at June 30, 2020 are summarized as follows:

	Balance July 01, 2019	Additions	Deletions	Balance June 30, 2020
SEWER FUND				
Capital assets, not being depreciated				
Construction in progress	\$ 5,201,421	\$ 498,186	\$ 5,123,586	\$ 576,021
Capital assets, being depreciated				
Equipment	18,743	\$ -	\$ -	18,743
Vehicles	24,632	-	-	24,632
Sewer system	875,081	5,123,586	-	5,998,667
Subtotal	<u>918,456</u>	<u>\$ 5,123,586</u>	<u>\$ -</u>	<u>6,042,042</u>
Accumulated depreciation				
Equipment	18,391	\$ 87	\$ -	18,478
Vehicles	24,632	-	-	24,632
Sewer system	492,985	115,376	-	608,361
Subtotal	<u>536,008</u>	<u>\$ 115,463</u>	<u>\$ -</u>	<u>651,471</u>
Net capital assets being depreciated	<u>382,448</u>			<u>5,390,571</u>
Net capital assets	<u>\$ 5,583,869</u>			<u>\$ 5,966,592</u>
WATER FUND				
Capital assets, not being depreciated				
Land	\$ 17,723	\$ -	\$ -	\$ 17,723
Construction in progress	76,873	291,004	-	367,877
Subtotal	<u>94,596</u>	<u>\$ 291,004</u>	<u>\$ -</u>	<u>385,600</u>
Capital assets, being depreciated				
Buildings	107,500	\$ -	\$ -	107,500
Equipment	104,365	-	-	104,365
Vehicles	63,969	-	-	63,969
Water system	2,252,809	-	-	2,252,809
Wells	142,105	-	-	142,105
Subtotal	<u>2,670,748</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,670,748</u>
Accumulated depreciation				
Buildings	82,560	\$ 1,273	\$ -	83,833
Equipment	46,960	12,369	-	59,329
Vehicles	63,967	-	-	63,967
Water system	1,020,581	38,276	-	1,058,857
Wells	105,791	4,737	-	110,528
Subtotal	<u>1,319,859</u>	<u>\$ 56,655</u>	<u>\$ -</u>	<u>1,376,514</u>
Net capital assets being depreciated	<u>1,350,889</u>			<u>1,294,234</u>
Net capital assets	<u>\$ 1,445,485</u>			<u>\$ 1,679,834</u>

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2020

NOTE G - COMPENSATED ABSENCES

Employees earn one day of sick leave per month with a maximum accumulation of 120 days. Upon retirement, employees are paid 50% of sick leave up to a maximum of 100 days. Employees also receive vacation in varying amounts based on the number of years of service. Accumulated unpaid vacation and sick leave at June 30, 2020 was \$37,353 and \$11,800 respectively.

NOTE H - LONG TERM DEBT

GOVERNMENTAL ACTIVITIES

2002 Building Authority Bonds: On April 17, 2002, the City of Bessemer Building Authority authorized the issuance of general obligation bonds in the amount of \$145,000 to fund improvements to the City hall. The bond was issued in a single denomination of \$145,000 at an interest of 4.75% per annum with principal amounts payable April 1 and interest payable semi-annually on April 1 and October 1.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020-2021	\$ 5,000	\$ 3,752	\$ 8,752
2021-2022	6,000	3,468	9,468
2022-2023	6,000	3,182	9,182
2023-2024	6,000	2,898	8,898
2024-2025	6,000	2,612	8,612
2025-2026	7,000	2,280	9,280
2026-2027	7,000	1,948	8,948
2027-2028	7,000	1,616	8,616
2028-2029	8,000	1,236	9,236
2029-2030	8,000	856	8,856
2030-2031	9,000	428	9,428
2031-2032	9,000	214	9,214
	<u>\$ 84,000</u>	<u>\$ 24,490</u>	<u>\$ 108,490</u>

City Hall Roof USDA: On August 17, 2012, the City of Bessemer Building Authority authorized the issuance of general obligation bonds in the amount of \$57,000 to fund improvements to the City hall roof. The bond was issued in a single denomination of \$57,000 at an interest rate of 3.5% per annum with principal amounts payable August 1 and interest payable semi-annually on February 1 and August 1.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020-2021	\$ 3,750	\$ 1,060	\$ 4,810
2021-2022	3,750	938	4,688
2022-2023	4,000	813	4,813
2023-2024	4,000	683	4,683
2024-2025	4,500	544	5,044
2025-2026	4,500	398	4,898
2026-2027	5,000	244	5,244
2027-2028	5,000	81	5,081
	<u>\$ 34,500</u>	<u>\$ 4,761</u>	<u>\$ 39,261</u>

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2020

NOTE H - LONG TERM DEBT (Continued)

Caterpillar Loader: On December 19, 2012, the City of Bessemer Building Authority authorized the issuance of general obligation bonds in the amount of \$147,000 to fund the purchase of a Caterpillar loader. The bond was issued in a single denomination of \$147,000 at an interest rate of 3.5% per annum with principal amounts payable January 1 and interest payable semi-annually on January 1 and June 1.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020-2021	\$ 11,000	\$ 2,607	\$ 13,607
2021-2022	11,000	2,223	13,223
2022-2023	11,000	1,838	12,838
2023-2024	11,000	1,453	12,453
2024-2025	12,000	1,050	13,050
2025-2026	12,000	630	12,630
2026-2027	12,000	210	12,210
	<u>\$ 80,000</u>	<u>\$ 10,011</u>	<u>\$ 90,011</u>

Gogebic Range Bank: On August 10, 2016 the City of Bessemer authorized the purchase of land with financing through Gogebic Range Bank in the amount of \$85,000. The loan has an interest rate of 2.275% per annum with principal amounts and interest payable on July 1.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020-2021	\$ 8,500	\$ 1,354	\$ 9,854
2021-2022	8,500	1,160	9,660
2022-2023	8,500	967	9,467
2023-2024	8,500	774	9,274
2024-2025	8,500	580	9,080
2025-2026	8,500	387	8,887
2026-2027	8,500	193	8,693
	<u>\$ 59,500</u>	<u>\$ 5,415</u>	<u>\$ 64,915</u>

The aggregate amount of maturities on governmental long-term debt is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020-2021	\$ 28,250	\$ 8,773	\$ 37,023
2021-2022	29,250	7,789	37,039
2022-2023	29,500	6,800	36,300
2023-2024	29,500	5,808	35,308
2024-2025	31,000	4,786	35,786
2025-2026	32,000	3,695	35,695
2026-2027	32,500	2,595	35,095
2027-2028	12,000	1,697	13,697
2028-2029	8,000	1,236	9,236
2029-2030	8,000	856	8,856
2030-2031	9,000	428	9,428
2031-2032	9,000	214	9,214
	<u>\$ 258,000</u>	<u>\$ 44,677</u>	<u>\$ 302,677</u>

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2020

NOTE H - LONG TERM DEBT (Continued)

ENTERPRISE FUNDS

Michigan Department of Transportation: On June 10, 2019 the City of Bessemer entered into a State Infrastructure Loan in the amount of \$1,100,000 to assist the City in financing transportation infrastructure improvements through the City's water and wastewater improvement project. The loan has an interest rate of 4.5% per annum with principal amounts payable annually on May 31.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020-2021	\$ 135,272	\$ 84,727	\$ 219,999
2021-2022	70,898	43,227	114,125
2022-2023	69,778	40,222	110,000
2023-2024	824,052	37,082	861,134
	<u>\$ 1,100,000</u>	<u>\$ 205,258</u>	<u>\$ 1,305,258</u>

Sewage Disposal System Revenue Bond, Series 2017: On March 29, 2017, the City of Bessemer authorized the sale of a Sewage Disposal System Revenue Bond in the amount of \$3,000,000 to provide for the acquisition, construction and equipping of improvements to the Sewage Disposal System of the City. The bond was issued in a single denomination of \$3,000,000 at an interest rate of 2% per annum with principal amounts payable March 1 and interest payable semi-annually on March 1 and September 1. Principal installments are subject to prepayment prior to maturity, in inverse chronological order, at the Issuer's option, on any interest payment date on or after March 1, 2018, at par plus accrued interest to the date fixed for prepayment. Bonds are financed with the United States Development Authority.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020-2021	\$ 48,000	\$ 57,240	\$ 105,240
2021-2022	49,000	56,280	105,280
2022-2023	50,000	55,300	105,300
2023-2024	52,000	54,300	106,300
2024-2025	53,000	53,260	106,260
2025-2026	54,000	52,200	106,200
2026-2027	56,000	51,120	107,120
2027-2032	299,000	238,340	537,340
2032-2037	338,000	206,920	544,920
2037-2042	385,000	171,300	556,300
2042-2047	435,000	130,800	565,800
2047-2052	491,000	85,160	576,160
2052-2057	552,000	51,559	603,559
	<u>\$ 2,862,000</u>	<u>\$ 1,263,779</u>	<u>\$ 4,125,779</u>

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2020

NOTE H - LONG TERM DEBT (Continued)

The aggregate amount of maturities on enterprise funds long-term debt is as follows:

Fiscal Year	Principal	Interest	Total
2020-2021	\$ 183,272	\$ 141,967	\$ 325,239
2021-2022	119,898	99,507	219,405
2022-2023	119,778	95,522	215,300
2023-2024	876,052	91,382	967,434
2024-2025	53,000	53,260	106,260
2025-2026	54,000	52,200	106,200
2026-2027	56,000	51,120	107,120
2027-2028	299,000	238,340	537,340
2028-2029	338,000	206,920	544,920
2029-2030	385,000	171,300	556,300
2030-2031	435,000	130,800	565,800
2031-2032	491,000	85,160	576,160
2031-2032	552,000	51,559	603,559
	<u>\$ 3,962,000</u>	<u>\$ 1,469,037</u>	<u>\$ 5,431,037</u>

Long-term liabilities activity, as reported in and liquidated through the general fund for the fiscal year ended June 30, 2020, was as follows:

	Balance July 01, 2019	Increase	Decrease	Balance June 30, 2020	Current Portion
GOVERNMENTAL ACTIVITIES					
Bonds payable:					
2002 Building Authority bonds	\$ 89,000	\$ -	\$ 5,000	\$ 84,000	\$ 5,000
USDA - City Hall roof	38,000	-	3,500	34,500	3,750
USDA - Equipment	90,000	-	10,000	80,000	11,000
Gogebic Range Bank - Street sweeper	68,000	-	8,500	59,500	8,500
Total Governmental Activities	<u>\$ 285,000</u>	<u>\$ -</u>	<u>\$ 27,000</u>	<u>\$ 258,000</u>	<u>\$ 28,250</u>
ENTERPRISE FUNDS					
Sewage Disposal System Revenue					
Bond, Series 2017	\$ 2,909,000	\$ -	\$ 47,000	\$ 2,862,000	\$ 48,000
MDOT State Infrastructure Bank Loan	-	1,100,000	-	1,100,000	135,272
Total Enterprise Funds	<u>\$ 2,909,000</u>	<u>\$ 1,100,000</u>	<u>\$ 47,000</u>	<u>\$ 3,962,000</u>	<u>\$ 183,272</u>
Accrued compensated absences	<u>\$ 44,122</u>	<u>\$ 5,031</u>	<u>\$ -</u>	<u>\$ 49,153</u>	

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2020

NOTE I - ENTERPRISE FUNDS

SEGMENT INFORMATION - The City maintains two Enterprise Funds which provide water and sewer services. Segment information for the year ended June 30, 2020 is as follows:

	Sewer	Water
Operating revenues	\$ 602,080	\$ 706,022
Depreciation	\$ 115,463	\$ 56,655
Income (loss) from operations	\$ 49,531	\$ 45,457
Non-operating revenues (expenses)	\$ (77,867)	\$ (181)
Net income (loss)	\$ 2,596,954	\$ 1,749,408
Property, plant & equipment additions	\$ 5,621,772	\$ 291,004
Total assets	\$ 6,732,257	\$ 2,698,799
Net working capital surplus (deficit)	\$ 705,906	\$ 839,737
Deferred outflows	\$ 9,615	\$ 52,396
Deferred inflows	\$ 14,680	\$ 84,254
Net investment in capital assets	\$ 5,966,592	\$ 1,679,834
Reserved net position	\$ 48,178	\$ -
Unreserved net position	\$ 3,128,040	\$ 1,794,684
Total net position	\$ 3,176,218	\$ 1,794,684
Net cash provided (used) by:		
Operating activities	\$ (207,527)	\$ 120,578
Noncapital financing activities	\$ 19,165	\$ (23,404)
Capital & related financing activities	\$ 533,314	\$ 237,763
Investing activities	\$ 1,233	\$ 5,383
Beginning cash	\$ 254,914	\$ 154,066
Ending cash	\$ 601,099	\$ 771,387

NOTE J - RESERVES AND RESTRICTED ASSETS

Sewer Fund

Sewage Disposal System Revenue Bond, Series 2017

The ordinance authorizing issuance of the Sewage Disposal System Revenue Bond, Series 2017 Revenue Bonds required that specific accounts be established and monies deposited as follows:

Bond Reserve Account - Quarterly transfers are to be made in the sum of at least \$3,000 per quarter, with the annual requirement equal to \$12,000 until there is accumulated in such fund the aggregate sum of \$120,000.

Bond and Interest Redemption Account - Quarterly transfers are to be made equal to ½ of the next interest payment due plus ¼ of the next principal payment due.

Repair and Replacement Account - Once the bond reserve account reaches \$120,000 quarterly transfers are to be made in the sum of not less than \$3,000, with the annual requirement equal to \$12,000.

	Required	Amount Funded
Bond Reserve Account	\$ 39,000	\$ 24,089
Repair and Replacement Account	-	-
Bond and Interest Redemption Account	26,310	24,089
	\$ 65,310	\$ 48,178

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2020

NOTE K - CONTINGENT LIABILITY

The City is a member of three joint ventures as described in Note A. As a member, the City is contingently liable for its share of the bonds issued by two of the joint ventures. As of June 30, 2020, the outstanding bonds of the joint ventures are as follows:

	<u>Outstanding</u>	<u>City Portion</u>	
BASA - 1987 bond issue	\$ 655,000	\$ 541,161	82.62 %
BASA - 1998 bond issue	\$ 846,000	\$ 820,620	97.00 %
GRWA - 2011A	\$ 997,000	\$ 292,320	29.32 %
GRWA - 2012A	\$ 2,017,000	\$ 1,597,464	79.20 %
GRWA - 2021E	\$ 2,408,000	\$ 535,780	22.25 %
GRWA - 2017 91-31	\$ 1,991,000	\$ 1,991,000	100.00 %

NOTE L - PENSION PLAN

Plan Description: The City participates in the Municipal Employees Retirement System (MERS) of Michigan which provides certain retirement, disability and death benefits to plan members and beneficiaries. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Retirement benefits for employees are calculated as two percent of the employee’s three-year final average compensation times the employee’s years of service. Normal retirement age is 60 with early retirement at an unreduced benefit at age 55 with 20 years of service or a reduced benefit at age 50 with 25 years of service or at age 55 with 15 years of service. Deferred retirement benefits vest after 10 years of service and there are no member contributions to the plan.

Employees covered by benefit terms - At the December 31, 2019 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>12</u>
Total employees covered by MERS	<u><u>25</u></u>

Contributions - The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City may establish contribution rates to be paid by its covered employees. Employer contributions range from 18.98% to 19.90% based on annual payroll for open divisions.

Net Pension Liability - The City's net pension liability as of June 30, 2020 was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2020

NOTE L - PENSION PLAN (Continued)

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 12/31/18	\$ 2,620,536	\$ 1,696,890	\$ 923,646
Service cost	52,226	-	52,226
Interest on total pension liability	206,628	-	206,628
Changes in benefits	-	-	-
Difference between expected and actual experience	(51,042)	-	(51,042)
Changes in assumptions	66,447	-	66,447
Employer contributions	-	108,389	(108,389)
Employee contributions	-	-	-
Net investment income	-	230,296	(230,296)
Benefit payments, including employee refunds	(127,592)	(127,592)	-
Administrative expense	-	(3,968)	3,968
Other changes	2	-	2
Net changes	146,669	207,125	(60,458)
Balances as of 12/31/19	<u>\$ 2,767,205</u>	<u>\$ 1,904,015</u>	<u>\$ 863,190</u>

Actuarial assumptions - The total pension liability in the December 31, 2019 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%	
Salary increases	3.00%	In the long term
Investment rate of return	7.35%	Net of investment and administrative expense including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.0% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

The mortality table used to project the rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2009-2013.

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2020

NOTE L - PENSION PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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 allocation and best estimates of arithmetic real rates of return for each major asset class summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return
Global equity	60%	3.7%
Global fixed income	20%	.3%
Private investment	20%	1.3%

Discount rate - The discount rate used to measure the total pension liability is 8.0% for 2019. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. 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.

Sensitivity of the Net Pension Liability to changes in the discount rate - The following presents the Net Pension Liability of the City, calculated using the discount rate of 8.0%, as well as what the City’s Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.0%) or 1% higher (9.0%) than the current rate.

	1% Decrease 7.0%	Current Discount Rate 8.0%	1% Decrease 9.0%
Net pension liability of the City	\$ 1,160,015	\$ 863,190	\$ 608,443

Pension Plan Fiduciary net Position - Detailed information about the plan's fiduciary net position is available in a separately issued financial report found at www.mersofmich.com. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same bases as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2020

NOTE L - PENSION PLAN (Continued)

Pension expense and deferred outflows of resources and deferred inflows of resources and deferred inflows of resources related to pensions

For the year ended June 30, 2020 the City recognized pension expense of \$128,719. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ 166,516
Differences in assumptions	145,921	-
Excess (deficit) investment returns	200,373	401,406
Contributions subsequent to the measurement date	57,234	-
Total	<u>\$ 403,528</u>	<u>\$ 567,922</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2021.

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

<u>Year ended</u>	<u>Amount</u>
2020	\$ (22,141)
2021	(52,173)
2022	(42,212)
2023	(25,171)
2024	(56,811)
Thereafter	(23,120)
Total	<u>\$ (221,628)</u>

NOTE M - POLICEMEN AND FIREMEN RETIREMENT PLAN

This plan is maintained under the Fire and/or Police Department Pension and Retirement Act, Act 345, P.A. 1937 and covered full time policemen and firemen who worked prior to January, 1979. The plan has no active employees and is closed to new participants. Currently, there are two remaining participants to the plan who are all receiving benefit payments. The plan will be terminated once the two remaining participants and related beneficiaries are deceased. The plan had no unfunded accrued liabilities and had assets in excess of accrued liabilities in the amount of \$78,271 as of the most recent actuarial dated December 31, 2010.

As of June 30, 2020 the plan had \$100,269 in cash and equivalents.

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2020

NOTE M - POLICEMEN AND FIREMEN RETIREMENT PLAN (Continued)

Accounting principles generally accepted in the United States of America require that governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability based on an actuarial performed no more than thirty months and one day prior to year end. The City has not had an actuarial performed recently enough to determine whether there is an unfunded liability to be recorded. The amount by which this departure would affect the deferred assets, deferred liabilities, liabilities, net position, and expenses of the general fund on the government wide statements has been undetermined.

NOTE N - RELATED PARTY TRANSACTIONS

The Bessemer Area Sewage Authority, Gogebic Range Water Authority, and Gogebic Range Solid Waste Management Authority are jointly governed organizations consisting of some members appointed by the City of Bessemer Council. These entities are not a component unit of the City. Further financial information is detailed in Note A of these financial statements.

The City has entered into an agreement to act as a fiduciary for the Michigan Western Gateway Authority whose mission and goals align with their own. The City of Bessemer's responsibility is to hold funds on behalf of the Authority while making deposits and disbursing funds at the request of the Authority. Under the agreement, the City will be held harmless by the Michigan Western Gateway Authority.

NOTE O - RISK MANAGEMENT

The City is exposed to various risks of losses related to torts, theft, damage, and destruction of assets, errors and omissions, and natural disasters. The City has obtained coverage from a commercial insurance company. The City has comprehensive general liability coverage of \$1,000,000 per occurrence and \$3,000,000 in the aggregate and has obtained workers compensation coverage.

All risk management activities are accounted for in the financial statements of the City. Expenses and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the City as of June 30, 2020 will not materially affect the financial condition of the City. Therefore, the financial statements contain no provision for estimated claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE P – DEFICIT FUND BALANCES

At June 30, 2020 the Local Street Fund had a fund equity deficit of \$5,250 as noted on page 16.

NOTE Q - SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

On September 25, 2018 a loan in the amount of \$2,806,000 and grant in the amount of \$7,814,000 were obligated through USDA, Rural Development for a water improvement project to begin in the 2020-21 fiscal year.

On September 25, 2018 a loan in the amount of \$2,751,000 and grant in the amount of \$8,245,000 were obligated through USDA, Rural Development for a sewer improvement project to begin in the 2020-21 fiscal year.

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2020

NOTE Q - SUBSEQUENT EVENTS (Continued)

On September 30, 2020 USDA transferred grant proceeds in the amount of \$50,000 to the City for the purchase of two pickup trucks costing a total of \$60,510. The City is responsible for paying the difference of \$10,510.

NOTE R - CHANGE IN ACCOUNTING PRINCIPLE

Governmental Accounting standards Board Statement 84, *Fiduciary Activities*, was issued by GASB in January 2017 and is effective for the City's 2021 year end. The City early implemented this statement as it was originally effective with the 2020 year. The objective of this Statement is to improve guidance regarding identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Cities with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

There was no change to beginning net position as a result of implementation of this statement.

NOTE S - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2021 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor, is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BESSEMER
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 542,875	\$ 532,936	\$ 532,429	\$ (507)
Licenses & permits	3,500	4,500	4,612	112
State sources	246,285	321,571	305,953	(15,618)
Federal grants	-	-	-	-
Charges for services	564,700	567,490	573,179	5,689
Interest	7,250	7,250	9,575	2,325
Other revenues	48,400	71,878	85,291	13,413
Total revenues	<u>1,413,010</u>	<u>1,505,625</u>	<u>1,511,039</u>	<u>5,414</u>
Expenditures				
General government	841,833	861,806	819,683	42,123
Public safety	145,775	218,741	208,001	10,740
Public works	251,236	269,651	256,570	13,081
Recreation and culture	119,687	156,391	133,641	22,750
Debt service	27,700	27,972	27,971	1
Total expenditures	<u>1,386,231</u>	<u>1,534,561</u>	<u>1,445,866</u>	<u>88,695</u>
Excess (deficiency) of revenues over expenditures	26,779	(28,936)	65,173	94,109
Other financing sources (uses)				
Increase/(decrease) in fair value of investments	-	15,000	18,099	3,099
Operating transfers in (out)	(8,990)	(9,228)	(9,228)	-
Total other financing sources (uses)	<u>(8,990)</u>	<u>5,772</u>	<u>8,871</u>	<u>3,099</u>
Net change in fund balance	<u>\$ 17,789</u>	<u>\$ (23,164)</u>	74,044	<u>\$ 97,208</u>
Fund balance - Beginning of year			<u>612,201</u>	
Fund balance - End of year			<u>\$ 686,245</u>	

CITY OF BESSEMER
MAJOR STREET FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance Final to Actual
	Original	Final		
Revenues				
State sources	\$ 370,303	\$ 389,480	\$ 358,830	\$ (30,650)
Interest	-	250	375	125
Total revenues	<u>370,303</u>	<u>389,730</u>	<u>359,205</u>	<u>(30,525)</u>
Expenditures				
General administration	91,659	91,340	85,225	6,115
Highways and streets:				
Public Works	<u>191,175</u>	<u>210,462</u>	<u>194,707</u>	<u>15,755</u>
Total expenditures	<u>282,834</u>	<u>301,802</u>	<u>279,932</u>	<u>21,870</u>
Excess (deficiency) of revenues over expenditures	87,469	87,928	79,273	(8,655)
Other financing sources (uses)				
Operating transfers in (out)	<u>(55,000)</u>	<u>(55,459)</u>	<u>(67,000)</u>	<u>(11,541)</u>
Net change in fund balance	<u>\$ 32,469</u>	<u>\$ 32,469</u>	12,273	<u>\$ (20,196)</u>
Fund balance - Beginning of year			<u>166,956</u>	
Fund balance - End of year			<u>\$ 179,229</u>	

CITY OF BESSEMER
LOCAL STREET FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance Final to Actual
	Original	Final		
Revenues				
State sources	\$ 193,771	\$ 200,946	\$ 177,432	\$ (23,514)
Interest	-	-	2	2
Total revenues	<u>193,771</u>	<u>200,946</u>	<u>177,434</u>	<u>(23,512)</u>
Expenditures				
General administration	85,520	85,175	78,583	6,592
Highways and streets:				
Maintenance	55,368	52,618	36,515	16,103
Construction	-	39,452	39,452	-
Snow & ice	105,251	105,901	119,265	(13,364)
Total expenditures	<u>246,139</u>	<u>283,146</u>	<u>273,815</u>	<u>9,331</u>
Excess (deficiency) of revenues over expenditures	(52,368)	(82,200)	(96,381)	(14,181)
Other financing sources (uses)				
Operating transfers in (out)	<u>55,000</u>	<u>55,000</u>	<u>70,000</u>	<u>15,000</u>
Net change in fund balance	<u>\$ 2,632</u>	<u>\$ (27,200)</u>	(26,381)	<u>\$ 819</u>
Fund balance - Beginning of year			<u>28,820</u>	
Fund balance - End of year			<u>\$ 2,439</u>	

CITY OF BESSEMER
SCHEDULE OF CHANGES IN THE CITY'S NET
PENSION LIABILITY AND RATIOS
Year Ended June 30, 2020

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 52,226	\$ 47,823	\$ 46,898	\$ 50,140	\$ 51,310	\$ 50,228
Interest	206,628	205,757	197,338	204,966	209,709	202,328
Benefit payments, including refunds	(127,592)	(133,776)	(139,606)	(157,717)	(147,737)	(179,524)
Difference between expected and actual experience	(51,042)	(114,197)	(2,782)	(200,166)	-	-
Changes in assumptions	66,447	(2)	-	2	(87,555)	-
Other changes	2	(2)	-	2	(87,555)	-
Net change in total pension liability	146,669	5,603	101,848	(102,774)	(61,828)	73,032
Total pension liability - beginning of year	2,620,536	2,614,933	2,513,085	2,615,862	2,590,135	2,517,103
Total pension liability - end of year	2,767,205	2,620,536	2,614,933	2,513,088	2,528,307	2,590,135
Plan fiduciary net position						
Contributions - employer	108,389	109,464	113,302	107,243	113,049	100,440
Contributions - employee	-	-	-	-	-	-
Net investment income	230,296	(70,429)	212,963	167,502	(23,091)	95,699
Administrative expenses	(3,968)	(3,480)	(3,371)	(3,307)	(3,379)	(3,499)
Benefit payments, including refunds	(127,592)	(133,776)	(139,606)	(157,717)	(147,737)	(179,524)
Net change in plan fiduciary net position	207,125	(98,221)	183,288	113,721	(61,158)	13,116
Plan fiduciary net position - beginning of year	1,696,890	1,795,111	1,611,823	1,498,102	1,559,260	1,546,144
Plan fiduciary net position - end of year	1,904,015	1,696,890	1,795,111	1,611,823	1,498,102	1,559,260
City's net pension liability - ending	<u>\$ 863,190</u>	<u>\$ 923,646</u>	<u>\$ 819,822</u>	<u>\$ 901,265</u>	<u>\$ 1,030,205</u>	<u>\$ 1,030,875</u>
Plan fiduciary net position as a percent of total pension	68.81 %	64.75 %	68.65 %	64.14 %	59.25 %	60.20 %
Covered employee payroll	\$ 612,262	\$ 561,961	\$ 545,328	\$ 542,638	\$ 573,298	\$ 561,208
City's net pension liability as a percent of covered employee	140.98 %	164.36 %	150.34 %	166.09 %	179.70 %	183.69 %

CITY OF BESSEMER
SCHEDULE OF CITY CONTRIBUTIONS
Year Ended June 30, 2020

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarial determined contributions	\$ 108,389	\$ 109,464	\$ 113,302	\$ 107,243	\$ 113,049	\$ 100,440
Contributions in relation to the actuarially determined contributions	<u>108,389</u>	<u>109,464</u>	<u>113,302</u>	<u>107,243</u>	<u>113,049</u>	<u>100,440</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 612,262	\$ 561,961	\$ 545,328	\$ 542,638	\$ 573,298	\$ 561,208
Contributions as a percentage of covered-employee payroll	17.70 %	19.48 %	20.78 %	19.76 %	19.72 %	17.90 %

CITY OF BESSEMER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - June 30, 2020

NOTE A - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATE

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	15 years
Asset valuation method	5 years smoothed
Inflation	3.00%
Salary increases	3.00%
Investment rate of return	7.35%
Retirement age	Varies depending on plan adoption
Mortality	50% Female/50% Male blend of the RP-2014 Healthy Annuitant Mortality Table with rates multiplied by 105%, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables

SUPPLEMENTARY INFORMATION

CITY OF BESSEMER
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2020

	<u>DDA</u>	<u>Building Authority</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 80,774	\$ -	\$ 80,774
Due from other funds	3,278	-	3,278
Total assets	<u>\$ 84,052</u>	<u>\$ -</u>	<u>\$ 84,052</u>
Liabilities			
Due to other funds	<u>\$ 3,807</u>	<u>\$ -</u>	<u>\$ 3,807</u>
Fund balances			
Restricted	<u>80,245</u>	<u>-</u>	<u>80,245</u>
Total liabilities and fund balances	<u>\$ 84,052</u>	<u>\$ -</u>	<u>\$ 84,052</u>

CITY OF BESSEMER
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2020

	<u>DDA</u>	<u>Building Authority</u>	<u>Total</u>
Revenues			
Property taxes	\$ 40,398	\$ -	\$ 40,398
Interest	315	-	315
Other revenues	8,000	-	8,000
Total revenues	<u>48,713</u>	<u>-</u>	<u>48,713</u>
Expenditures			
Highways and streets:			
Development	38,113	-	38,113
Debt service:			
Principal	-	7,114	7,114
Interest	-	2,114	2,114
Total expenditures	<u>38,113</u>	<u>9,228</u>	<u>47,341</u>
Excess (deficiency) of revenues over expenditures	<u>10,600</u>	<u>(9,228)</u>	<u>1,372</u>
Other financing sources (uses)			
Operating transfers in (out)	<u>(3,000)</u>	<u>9,228</u>	<u>6,228</u>
Net change in fund balance	7,600	-	7,600
Fund balance - Beginning of year	<u>72,645</u>	<u>-</u>	<u>72,645</u>
Fund balance - End of year	<u>\$ 80,245</u>	<u>\$ -</u>	<u>\$ 80,245</u>

COMMUNICATIONS SECTION

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

310 Sheldon Avenue, Houghton, Michigan 49931
906.482.6601 906.482.9046 fax www.rukkilanegro.com

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Honorable Mayor and Members of the City Council
City of Bessemer
Bessemer, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bessemer for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 4, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Bessemer are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2020. We noted no transactions entered into by the City of Bessemer during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the City of Bessemer's financial statements is current depreciation.

Management's estimate of the useful lives of fixed assets, used to calculate depreciation, is based on the estimated useful lives of certain classes of assets. We evaluated the key factors and assumptions used to develop the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 13, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of Bessemer's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Bessemer's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the budgetary comparison schedules and pension requirements which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on RSI.

We were engaged to report on the supplemental financial information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the City of Bessemer board and management and is not intended to be and should not be used for anyone other than these specified parties.

*Rukkila, Negro & Associates,
Certified Public Accountants, PC*

January 13, 2021

CITY OF BESSEMER
COMMENTS AND RECOMMENDATIONS
For the Year Ended June 30, 2020

In planning and performing our audit of the financial statements of the City of Bessemer as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

COMMENTS AND RECOMMENDATIONS

During our audit we became aware of an opportunity for strengthening internal controls and operating efficiencies. The following items summarizes our comments and suggestions regarding these matters.

We will review the status of these comments during our next audit engagement. We have already discussed this comment and suggestion with various personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

2020-001 BUDGET REVIEW

Michigan Public Act 2 of 1968 prohibits spending amounts in excess of appropriations (budgeted amounts). As noted in our audit report on page 50, there was an instance of spending amounts greater than budgeted.

We recommend that the City carefully review its actual revenues and expenditures to budgeted amounts at least quarterly. Amendments to the budget should be made after reviewing all financial information, if required or necessary.

2020-002 REQUIRED RESERVE ACCOUNTS

As of June 30, 2020, there was a shortage of funds to meet the reserve requirements of the Sewer Fund in the amount of \$17,132 on page 40. The City needs to deposit additional funds into the required accounts and review the schedules and deposit/transfer funds on a quarterly basis to meet the requirements.

2020-003 COMMINGLING OF FUNDS - FIDUCIARY ACTIVITY

The City has entered into a contract with the Michigan Western Gateway Trail Authority (MWGTA). The contract states that the City will not commingle MWGTA funds with other City funds. As of June 30, 2020, the General Fund owed the MWGTA fund \$55. We recommend the City transfer \$55 to the MWGTA Fund immediately and put controls in place that will prevent this from reoccurring in the future.

2020-004 - DEFICIT NET POSITION

At June 30, 2020, the City of Bessemer had an unassigned deficit in their Local Street Fund as shown on page 16. Public Act 275 of 1980 requires that all deficits in any fund balance of local units be disclosed and enumerated upon in the footnotes of the financial statements. In accordance with the Act, a corrective action plan for the deficit is required to be filed with the State Treasurer within 90 days of the end of the fiscal year. As of this time, the City of Bessemer has not filed such a plan. We recommend the City either increase operating revenues or decrease operating expenditures in the future to eliminate the deficit.