

CITY OF BESSEMER
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2023

CITY OF BESSEMER

June 30, 2023

ADMINISTRATION

City Manager..... Charly Loper
Clerk/Treasurer..... Jennifer Adams

BOARD MEMBERS

Mayor..... Adam Zak
Mayor Pro-Tem..... Rob Coleman
Councilperson..... Terry Kryshak
Councilperson..... Linda Nelson
Councilperson..... Charles Tirpik

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	5
MANAGEMENT'S DISCUSSION AND ANALYSIS	8
BASIC FINANCIAL STATEMENTS	
Statement of Net Position.....	15
Statement of Activities.....	16
Balance Sheet - Governmental Funds.....	17
Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Governmental Funds.....	20
Combining Statement of Net Position - Proprietary Funds.....	21
Combining Statement of Revenues, Expenditures, and Changes in Net Position - Proprietary Funds.....	22
Statement of Cash Flows - Proprietary Funds.....	23
Statement of Fiduciary Net Position - Fiduciary Funds.....	24
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	25
Notes to Financial Statements.....	26
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund.....	52
Budgetary Comparison Schedule - Major Street Fund.....	53
Budgetary Comparison Schedule - Local Street Fund.....	54
Schedule of Changes in City's Net Pension Liability and Related Ratios.....	55
Schedule of City Contributions.....	56
Notes to Required Supplementary Information.....	57
SUPPLEMENTARY INFORMATION	
<u>Nonmajor Governmental Funds</u>	
Combining Balance Sheet.....	59
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	60

TABLE OF CONTENTS (CONTINUED)

FEDERAL AWARD PROGRAMS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 62

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance..... 64

Schedule of Expenditures of Federal Awards..... 67

Notes to the Schedule of Expenditures of Federal Awards..... 68

Schedule of Findings and Questioned Costs..... 69

COMMUNICATIONS SECTION

Communication with Those Charged With Governance..... 72

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

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

INDEPENDENT AUDITOR'S REPORT

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

Opinions

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 City of Bessemer, Michigan as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Bessemer, Michigan's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bessemer, Michigan, as of June 30, 2023, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 through 14 and 52 through 57 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2024, on our consideration of the City of Bessemer, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Bessemer, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Bessemer, Michigan's internal control over financial reporting and compliance.

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

February 5, 2024

CITY OF BESSEMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

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, 2023. 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 \$17,884,511 (net position).
- The City of Bessemer's total net position increased by \$5,444,413.
- The City of Bessemer had charges for services of \$380,373 in governmental activities and \$1,625,139 for business-type activities and \$1,638,459 and \$1,993,325 in expenses for governmental and business-type activities respectively during the year ended June 30, 2023.
- At the close of the fiscal year, the City of Bessemer's governmental activities reported a combined ending net position balance of \$1,717,872. This is an increase of \$175,562.
- At the end of the current fiscal year, the fund balance for the general fund was \$792,981 or about 49% of total general fund expenditures, General fund net operating transfers to other funds was \$174,461 in 2023 compared to \$120,003 in the prior year, an increase of \$52,458.

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, 2023

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 \$17,884,511 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	
	2023	2022	2023	2022
Assets				
Current Assets	\$ 1,362,867	\$ 1,594,622	\$ 2,190,206	\$ 2,889,841
Capital assets - net	1,440,831	1,387,850	23,487,281	18,050,677
Total assets	<u>2,803,698</u>	<u>2,982,472</u>	<u>25,677,487</u>	<u>20,940,518</u>
Deferred outflows of resources - Pension	659,803	325,346	132,245	61,961
Liabilities				
Current liabilities	90,579	177,778	1,102,461	1,542,745
Noncurrent liabilities	1,303,391	1,068,898	8,466,396	8,348,518
Total liabilities	<u>1,393,970</u>	<u>1,246,676</u>	<u>9,568,857</u>	<u>9,891,263</u>
Deferred inflows of resources - Pension	351,659	503,832	74,236	106,582
Net position				
Net investment in capital assets	1,150,461	1,054,934	15,219,450	9,824,389
Restricted	730,795	709,845	533,418	440,631
Unrestricted	(163,384)	(222,469)	413,771	632,768
Total net position	<u>\$ 1,717,872</u>	<u>\$ 1,542,310</u>	<u>\$ 16,166,639</u>	<u>\$ 10,897,788</u>

**CITY OF BESSEMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

Governmental Activities

As shown on the following table, governmental activities increased the City's net position by \$175,562. In prior year, the net position of governmental activities increased by \$97,703. The current to prior year change in governmental activities is due to an decrease in overall revenues of \$86,147 and a decrease in overall expenditures of \$164,006. The decreases in overall revenue were mainly due to decreases in charges for services and grants and contributions. The decrease in expenses was due to the combination of increases in general government, development, and public works and a decrease in public safety

Business-type Activities

As shown below on the following table, business-type activities increased the City's net position by \$5,268,851. In prior year, the net position of business-type activities increased by \$5,651,610. The current to prior year change in business-type activities is due to a decrease in overall revenues of \$156,480 and an increase in overall expenditures of \$226,279. The decrease in overall revenue is due to a decrease in grant revenue related to the 2021 water and sewer improvement projects. The increase in expenditures is mainly due to an increase in engineering and professional services related to the drinking water state revolving fund program and interest expense.

Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Program Revenue:				
Charges for services	\$ 380,373	\$ 386,433	\$ 1,625,139	\$ 1,623,686
Grants and contributions	472,370	635,897	104,366	70,194
Capital grants and contributions	20,000	11,500	5,544,575	5,757,800
General Revenue:				
Property taxes	662,372	619,339	-	-
State shared revenue	281,055	278,011	-	-
Increase (decrease) in fair value of investments	(19,036)	(57,232)	(22,889)	(42,597)
Proceeds on sale of equipment	3,918	18,396	-	-
Interest revenue	12,969	7,824	10,985	9,573
Total revenues	<u>1,814,021</u>	<u>1,900,168</u>	<u>7,262,176</u>	<u>7,418,656</u>
Expenses				
General government	779,383	720,224	-	-
Public safety	49,004	318,448	-	-
Public works	658,641	617,291	1,865,423	1,699,489
Recreation	100,702	94,243	-	-
Development	39,187	-	-	-
Interest	11,542	10,009	127,902	109,807
Other	-	-	-	-
Operating transfers in (out)	-	42,250	-	(42,250)
Total expenses	<u>1,638,459</u>	<u>1,802,465</u>	<u>1,993,325</u>	<u>1,767,046</u>
Change in net position	175,562	97,703	5,268,851	5,651,610
Net position - Beginning	<u>1,542,310</u>	<u>1,444,607</u>	<u>10,897,788</u>	<u>5,246,178</u>
Net position - Ending	<u>\$ 1,717,872</u>	<u>\$ 1,542,310</u>	<u>\$ 16,166,639</u>	<u>\$ 10,897,788</u>

**CITY OF BESSEMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

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 revenue is due to a combination of increases in revenue from property taxes and charges for services, and decreases in grants and other revenues.

General Fund expenses increased mainly due to various equipment purchases made in current year and none in prior year.

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenues/Transfers	\$ 1,644,515	\$ 1,736,927	\$ (92,412)
Expenditures/Transfers	\$ 1,808,138	\$ 1,590,544	\$ 217,594
Fund Balance	\$ 792,981	\$ 956,604	\$ (163,623)

SPECIAL REVENUE FUNDS

Major Street Fund - There was no significant change in revenues. Expenditures decreased due to a decrease in transfers out to 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 other funds. Expenditures increased due to an increase in equipment rentals and salaries.

DDA Fund - There was no significant change in revenues from prior year. Expenditures increased due to an increase in development costs and transfers out to other funds.

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Major Street			
Revenues/Transfers	\$ 349,218	\$ 354,968	\$ (5,750)
Expenditures/Transfers	\$ 295,404	\$ 345,042	\$ (49,638)
Fund Balance	\$ 373,380	\$ 319,566	\$ 53,814
Local Street			
Revenues/Transfers	\$ 310,265	\$ 273,038	\$ 37,227
Expenditures/Transfers	\$ 293,561	\$ 254,849	\$ 38,712
Fund Balance	\$ 39,399	\$ 22,695	\$ 16,704
DDA			
Revenues/Transfers	\$ 44,374	\$ 40,467	\$ 3,907
Expenditures/Transfers	\$ 79,942	\$ 20,274	\$ 59,668
Fund Balance	\$ 70,161	\$ 105,729	\$ (35,568)

CITY OF BESSEMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

ENTERPRISE FUNDS

Sewer Fund - The increase in overall revenue is due to an increase in grant revenue related to the 2021 water and sewer improvement projects. The increase in expenses is mainly due to an increase in interest expense.

Water Fund - The decrease in overall revenue is due to a decrease in grant revenue related to the 2021 water and sewer improvement projects. The increase in expenses is due to an increase in engineering and professional services related to the drinking water state revolving fund program and interest expense.

Trash Disposal Fund - There was no significant change in revenue or expense from prior year.

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Sewer			
Revenues/Transfers	\$ 3,401,531	\$ 3,236,031	\$ 165,500
Expenditures/Transfers	\$ 704,088	\$ 694,538	\$ 9,550
Fund Balance	\$ 8,774,409	\$ 6,076,966	\$ 2,697,443
Water			
Revenues/Transfers	\$ 3,691,290	\$ 4,078,016	\$ (386,726)
Expenditures/Transfers	\$ 1,140,305	\$ 987,610	\$ 152,695
Fund Balance	\$ 7,308,566	\$ 4,757,581	\$ 2,550,985
Trash Disposal Fund			
Revenues/Transfers	\$ 192,244	\$ 189,456	\$ 2,788
Expenditures/Transfers	\$ 171,821	\$ 169,745	\$ 2,076
Fund Balance	\$ 83,664	\$ 63,241	\$ 20,423

DEBT SERVICE FUND

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

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Building Authority			
Revenues/Transfers	\$ 9,461	\$ 9,753	\$ (292)
Expenditures/Transfers	\$ 9,461	\$ 9,753	\$ (292)
Fund Balance	\$ -	\$ -	\$ -

**CITY OF BESSEMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

General Fund Budgetary Highlights

During the year ended June 30, 2023, 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 less than what the City had originally budgeted. Actual revenue was \$81,628 lower than the final amended revenue budget. Expenditures as a whole were more than what the City had originally expected. Actual expenditures were \$219,458 lower 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 \$485,889.

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 \$792,981.

The fund balance of the City's General Fund decreased by \$163,623 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 \$16,166,639.

Capital Assets and Debt Administration

Capital asset additions totaling \$5,828,579 include expenses incurred on the sewer waste water and water projects, mower, skidsteer, computer server, and pickup truck.

Additional information on the City's capital assets can be found on page 35 of this report.

Long-term Debt – At the end of the current fiscal year, the City had total debt of \$8,558,201.

Additional information on the City's long-term debt can be found starting on page 37 of this report.

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, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 869,592	\$ 635,165	\$ 1,504,757
Restricted cash	-	258,488	258,488
Investments	187,777	205,517	393,294
Receivables	143	316,055	316,198
Grant receivable	-	863,731	863,731
Inventories	16,338	63,168	79,506
Prepaid expenses	19,909	-	19,909
Due from other funds	151,918	(151,918)	-
Due from government units	117,190	-	117,190
Capital assets - net	1,440,831	23,487,281	24,928,112
Total assets	2,803,698	25,677,487	28,481,185
Deferred outflow of resources - pension	659,803	132,245	792,048
Liabilities			
Accounts payable	11,306	1,065,967	1,077,273
Checks written in excess of cash balance	49,688	-	49,688
Accrued expenses	25,952	5,357	31,309
Accrued interest payable	3,633	31,137	34,770
Unearned revenue	-	-	-
Bonds payable, due in one year	21,000	138,000	159,000
Note payable, due in one year	21,873	-	21,873
Bonds payable, due in more than one year	116,000	8,129,831	8,245,831
Note payable, due in more than one year	131,497	-	131,497
Net pension liability	970,168	198,565	1,168,733
Accrued benefits	42,853	-	42,853
Total liabilities	1,393,970	9,568,857	10,962,827
Deferred inflow of resources - pension	351,659	74,236	425,895
Net position			
Net investment in capital assets	1,150,461	15,219,450	16,369,911
Restricted			
Streets and highways	412,779	-	412,779
DDA	70,161	-	70,161
Perpetual care	247,855	-	247,855
Debt service	-	258,488	258,488
Capital projects	-	274,930	274,930
Unrestricted	(163,384)	413,771	250,387
Total net position	\$ 1,717,872	\$ 16,166,639	\$ 17,884,511

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

CITY OF BESSEMER
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

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	\$ 779,383	\$ 281,341	\$ -	\$ -	\$ (498,042)	\$ -	\$ (498,042)
Public safety	49,004	-	-	-	(49,004)	-	(49,004)
Public works	658,641	-	468,877	-	(189,764)	-	(189,764)
Recreation and culture	100,702	-	3,493	20,000	(77,209)	-	(77,209)
Development	39,187	-	-	-	(39,187)	-	(39,187)
Interest on long-term debt	11,542	-	-	-	(11,542)	-	(11,542)
Other	-	99,032	-	-	99,032	-	99,032
Total governmental activities	<u>1,638,459</u>	<u>380,373</u>	<u>472,370</u>	<u>20,000</u>	<u>(765,716)</u>	<u>-</u>	<u>(765,716)</u>
Business-type activities:							
Water	1,117,416	781,946	104,366	2,798,214	-	2,567,110	2,567,110
Sewer	704,088	650,968	-	2,746,361	-	2,693,241	2,693,241
Trash Disposal Fund	171,821	192,225	-	-	-	20,404	20,404
Total business-type activities	<u>1,993,325</u>	<u>1,625,139</u>	<u>104,366</u>	<u>5,544,575</u>	<u>-</u>	<u>5,280,755</u>	<u>5,280,755</u>
Total primary government	<u>\$ 3,631,784</u>	<u>\$ 2,005,512</u>	<u>\$ 576,736</u>	<u>\$ 5,564,575</u>	<u>(765,716)</u>	<u>5,280,755</u>	<u>4,515,039</u>
General revenues:							
Property taxes, levied for general operations					662,372	-	662,372
State revenue					281,055	-	281,055
Interest and investment earnings					12,969	10,985	23,954
Increase/(decrease) in fair value of investments					(19,036)	(22,889)	(41,925)
Gain (loss) on sale of equipment					3,918	-	3,918
Total general revenues, transfers, and special items					<u>941,278</u>	<u>(11,904)</u>	<u>929,374</u>
Change in net position					175,562	5,268,851	5,444,413
Net position - Beginning of year					<u>1,542,310</u>	<u>10,897,788</u>	<u>12,440,098</u>
Net position - End of year					<u>\$ 1,717,872</u>	<u>\$ 16,166,639</u>	<u>\$ 17,884,511</u>

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

CITY OF BESSEMER
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2023

	Major Governmental Funds				Total Governmental Funds
	General Fund	Major Street	Local Street	Non-Major Fund	
Assets					
Cash and cash equivalents	\$ 398,025	\$ 386,981	\$ 10,683	\$ 73,903	\$ 869,592
Investments	187,777	-	-	-	187,777
Accounts receivable	143	-	-	-	143
Due from government units	43,856	51,382	21,952	-	117,190
Due from other funds	338,306	2,500	112,802	32	453,640
Inventories	-	8,169	8,169	-	16,338
Prepaid expenses	19,909	-	-	-	19,909
Total assets	\$ 988,016	\$ 449,032	\$ 153,606	\$ 73,935	\$ 1,664,589
Liabilities					
Accounts payable	\$ 7,532	\$ -	\$ -	\$ 3,774	\$ 11,306
Checks written in excess of cash balance	-	-	49,688	-	49,688
Accrued expenses	22,942	1,395	1,615	-	25,952
Due to other funds	164,561	74,257	62,904	-	301,722
Unearned revenue	-	-	-	-	-
Total liabilities	195,035	75,652	114,207	3,774	388,668
Fund balances					
Nonspendable:					
Inventories	-	8,169	8,169	-	16,338
Prepays	19,909	-	-	-	19,909
Restricted:					
Perpetual care	247,855	-	-	-	247,855
Streets and highways	-	365,211	31,230	-	396,441
Program projects	-	-	-	70,161	70,161
Assigned:					
Capital projects	39,328	-	-	-	39,328
Unassigned	485,889	-	-	-	485,889
Total fund balances	792,981	373,380	39,399	70,161	1,275,921
Total liabilities and fund balances	\$ 988,016	\$ 449,032	\$ 153,606	\$ 73,935	\$ 1,664,589

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, 2023

Fund balance reported in governmental funds	\$ 1,275,921
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.	1,440,831
Net pension liability	(970,168)
Deferred outflows and inflows from the difference between pension changes of assumptions and contributions subsequent to the measurement date.	308,144
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(336,856)</u>
Net position of governmental activities	<u><u>\$ 1,717,872</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, 2023

	<u>General Fund</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Non-Major Fund</u>	<u>Total</u>
Revenues					
Property taxes	\$ 619,102	\$ -	\$ -	\$ 43,270	\$ 662,372
State revenue	281,055	338,695	130,182	-	749,932
Charges for services	647,317	-	-	-	647,317
Interest	11,259	523	83	1,104	12,969
Other revenues	<u>85,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,782</u>
Total revenues	<u>1,644,515</u>	<u>339,218</u>	<u>130,265</u>	<u>44,374</u>	<u>2,158,372</u>
Expenditures					
General government	974,460	86,533	79,371	54,942	1,195,306
Public safety	125,912	-	-	-	125,912
Public works	351,390	208,871	214,190	-	774,451
Recreation and culture	119,135	-	-	-	119,135
Debt service	<u>43,744</u>	<u>-</u>	<u>-</u>	<u>9,461</u>	<u>53,205</u>
Total expenditures	<u>1,614,641</u>	<u>295,404</u>	<u>293,561</u>	<u>64,403</u>	<u>2,268,009</u>
Excess (deficiency) of revenues over expenditures	<u>29,874</u>	<u>43,814</u>	<u>(163,296)</u>	<u>(20,029)</u>	<u>(109,637)</u>
Other financing sources (uses)					
Increase/(decrease) in fair value of investments	(19,036)	-	-	-	(19,036)
Operating transfers in (out)	<u>(174,461)</u>	<u>10,000</u>	<u>180,000</u>	<u>(15,539)</u>	<u>-</u>
Total other financing sources (uses)	<u>(193,497)</u>	<u>10,000</u>	<u>180,000</u>	<u>(15,539)</u>	<u>(19,036)</u>
Net change in fund balances	(163,623)	53,814	16,704	(35,568)	(128,673)
Fund balances - Beginning of year	<u>956,604</u>	<u>319,566</u>	<u>22,695</u>	<u>105,729</u>	<u>1,404,594</u>
Fund balances - End of year	<u>\$ 792,981</u>	<u>\$ 373,380</u>	<u>\$ 39,399</u>	<u>\$ 70,161</u>	<u>\$ 1,275,921</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, 2023

Net change in fund balances - total governmental funds	\$	(128,673)
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		53,296
In the statement of activities, only the gain on the sale of equipment is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.		(315)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position		42,546
The change in net pension liability amounts does not require the use of current resources and is not reported in the governmental funds		200,482
Accrued expenses recorded in the statement of activities are not recorded as expenditures in the governmental funds until they are incurred.		<u>8,226</u>
Change in net position of governmental activities	\$	<u><u>175,562</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, 2023

	Major Funds		Non-major Fund	Total
	Sewer Fund	Water Fund	Trash Disposal Fund	
Assets				
Cash and cash equivalents	\$ 380,232	\$ 202,945	\$ 51,988	\$ 635,165
Restricted cash	176,524	81,964	-	258,488
Investments	-	205,517	-	205,517
Accounts receivable	133,059	143,173	39,823	316,055
Due from other funds	19,818	44,114	6,924	70,856
Grant receivable	382,965	480,766	-	863,731
Inventories	9,239	53,929	-	63,168
Capital assets - net	<u>13,636,918</u>	<u>9,850,363</u>	<u>-</u>	<u>23,487,281</u>
Total assets	<u><u>14,738,755</u></u>	<u><u>11,062,771</u></u>	<u><u>98,735</u></u>	<u><u>25,900,261</u></u>
Deferred outflow of resources - pension	20,001	112,244	-	132,245
Liabilities				
Accounts payable	447,936	618,031	-	1,065,967
Accrued expenses	314	5,043	-	5,357
Accrued interest payable	24,210	6,927	-	31,137
Due to other funds	89,948	117,755	15,071	222,774
Bonds payable, due in one year	96,000	42,000	-	138,000
Bonds payable, due in more than one year	5,285,000	2,844,831	-	8,129,831
Net pension liability	<u>29,753</u>	<u>168,812</u>	<u>-</u>	<u>198,565</u>
Total liabilities	<u><u>5,973,161</u></u>	<u><u>3,803,399</u></u>	<u><u>15,071</u></u>	<u><u>9,791,631</u></u>
Deferred inflow of resources - pension	11,186	63,050	-	74,236
Net position				
Net investment in capital assets	8,255,918	6,963,532	-	15,219,450
Restricted	176,524	81,964	-	258,488
Unrestricted	<u>341,967</u>	<u>263,070</u>	<u>83,664</u>	<u>688,701</u>
Total net position	<u><u>\$ 8,774,409</u></u>	<u><u>\$ 7,308,566</u></u>	<u><u>\$ 83,664</u></u>	<u><u>\$ 16,166,639</u></u>

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, 2023

	Major Funds		Non-major Fund	Total
	Sewer Fund	Water Fund	Trash Disposal Fund	
Operating revenues				
Sales	\$ 650,968	\$ 781,946	\$ 192,225	\$ 1,625,139
Operating expenses				
General administration	434,610	270,092	-	704,702
Meter reading	5,432	13,553	-	18,985
Purchased services	-	424,702	-	424,702
Operations and maintenance	12,044	316,670	171,821	500,535
Depreciation	159,931	56,568	-	216,499
Total operating expenses	612,017	1,081,585	171,821	1,865,423
Operating income (loss)	38,951	(299,639)	20,404	(240,284)
Non-operating revenues (expenses)				
Interest income	4,202	6,764	19	10,985
Interest expense	(92,071)	(35,831)	-	(127,902)
Increase/(decrease) in fair value of investments	-	(22,889)	-	(22,889)
Total non-operating revenues (expenses)	(87,869)	(51,956)	19	(139,806)
Income (loss) before capital contributions	(48,918)	(351,595)	20,423	(380,090)
Capital contributions				
State grants	-	104,366	-	104,366
Federal grants	2,746,361	2,798,214	-	5,544,575
Total capital contributions	2,746,361	2,902,580	-	5,648,941
Change in net position	2,697,443	2,550,985	20,423	5,268,851
Net position (deficit), beginning of the year	6,076,966	4,757,581	63,241	10,897,788
Net position (deficit), end of year	\$ 8,774,409	\$ 7,308,566	\$ 83,664	\$ 16,166,639

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, 2023

	<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	\$ 663,179	\$ 777,299	\$ 191,920	\$ 1,632,398
Payments to suppliers	(480,890)	(927,341)	(185,225)	(1,593,456)
Payments to employees	(18,277)	(99,445)	-	(117,722)
Net cash provided by operating activities	<u>164,012</u>	<u>(249,487)</u>	<u>6,695</u>	<u>(78,780)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating subsidies and transfers to other funds	<u>199,306</u>	<u>87,179</u>	<u>27,158</u>	<u>313,643</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on debt	(93,000)	(41,000)	-	(134,000)
Non-operating grants	2,746,361	2,902,580	-	5,648,941
Loan proceeds	-	175,543	-	175,543
Interest expense	(92,071)	(35,831)	-	(127,902)
Purchases of capital assets	(2,779,449)	(2,873,657)	-	(5,653,106)
Net cash (used) by capital and related financing activities	<u>(218,159)</u>	<u>127,635</u>	<u>-</u>	<u>(90,524)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	<u>4,202</u>	<u>6,764</u>	<u>19</u>	<u>10,985</u>
Net cash (used) provided by investing activities	<u>4,202</u>	<u>6,764</u>	<u>19</u>	<u>10,985</u>
Net increase/(decrease) in cash	149,361	(27,909)	33,872	155,324
Balances - beginning of the year	<u>407,395</u>	<u>312,818</u>	<u>18,116</u>	<u>738,329</u>
Balances - end of the year	<u>\$ 556,756</u>	<u>\$ 284,909</u>	<u>\$ 51,988</u>	<u>\$ 893,653</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 38,951	\$ (299,639)	\$ 20,404	(240,284)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	159,931	56,568	-	216,499
Change in assets and liabilities				
Receivables, net	12,211	(4,647)	(305)	7,259
Deferred outflows and inflows	(15,039)	(87,591)	-	(102,630)
Due to/from other governmental units	247,585	262,067	-	509,652
Inventory	(75)	1,594	-	1,519
Accounts and other payables	(172,086)	(178,712)	(13,404)	(364,202)
Unearned revenue	(106,846)	-	-	(106,846)
Accrued expenses	(620)	873	-	253
Net cash provided by operating activities	<u>\$ 164,012</u>	<u>\$ (249,487)</u>	<u>\$ 6,695</u>	<u>\$ (78,780)</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, 2023

	<u>Pension Trust Fund</u>	<u>Custodial Fund</u>
	Police and Firemen Retirement Fund	Michigan Western Gateway Trail Authority
	<u> </u>	<u> </u>
Assets		
Restricted cash	\$ -	\$ 91,722
Restricted investments	-	-
Due from other governmental units	-	-
Total assets	<u>-</u>	<u>91,722</u>
Liabilities		
Accounts payable	-	15
Due to other governmental units	-	-
Total liabilities	<u>-</u>	<u>15</u>
Net position		
Restricted for		
Held in trust for pension benefits	-	-
Individuals, organizations and other governments	-	91,707
Total net position	<u>\$ -</u>	<u>\$ 91,707</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, 2023

	<u>Pension Trust Fund</u>	<u>Custodial Fund</u>
	Police and Firemen Retirement Fund	Michigan Western Gateway Trail Authority
Additions		
Investment income		
Investment earnings	\$ (837)	\$ -
Other additions		
Collections for other organizations	-	15,269
Total additions	<u>(837)</u>	<u>15,269</u>
Deductions		
Fees	32	-
Benefits - retirement	54,324	-
Payments to individuals, organizations, and other governments	-	59,803
Total deductions	<u>54,356</u>	<u>59,803</u>
Change in net position	(55,193)	(44,534)
Net position, beginning of year	<u>55,193</u>	<u>136,241</u>
Net position, end of year	<u>\$ -</u>	<u>\$ 91,707</u>

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

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

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, 2023 (most recent year audited) shows the following:

Total Assets	\$	6,599,627
Total Liabilities	\$	1,127,738
Total Net Position	\$	5,471,889
Total Revenues	\$	429,005
Total Expenses	\$	489,734
Long-Term Debt	\$	1,086,000

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, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of the Authorities financial information for the year ended June 30, 2022, (most recent year audited) shows the following:

Total Assets	\$ 28,111,338
Total Liabilities	\$ 12,940,785
Total Net Position	\$ 15,170,553
Total Revenues	\$ 958,322
Total Expenditures	\$ 1,328,161
Long-Term Debt	\$ 12,837,000

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, 2023 (most recent year audited) shows the following:

Total Assets	\$ 1,619,881
Total Liabilities	\$ 256,079
Total Net Position	\$ 1,363,802
Total Revenues	\$ 1,547,626
Total Expenditures	\$ 1,495,114
Long-Term Debt	\$ 141,000

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.

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

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, 2023

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.

Other non-major funds include:

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.

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 liened 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.

Fund	Purpose	Mills
General	Operating	17.2765
General	Library	.9954

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.

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2023, 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	\$ 869,592	\$ 635,165	\$ 1,504,757	\$ -
Restricted cash	-	258,488	258,488	91,722
Total cash	869,592	893,653	1,763,245	91,722
Investments	187,777	205,517	393,294	-
Total investments	187,777	205,517	393,294	-
Total cash and investments	\$ 1,057,369	\$ 1,099,170	\$ 2,156,539	\$ 91,722

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

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, 2023, \$863,871 of the City's bank balance of \$1,766,568 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, 2023

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>
Government Agency Bonds	\$ 393,294	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 City 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	\$ 393,294	\$ -	\$ 393,294	\$ -

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	\$ 199,461	Building Authority	\$ 9,461
Major Street	70,000	Major Street	80,000
DDA	25,000	Local Street	180,000
		General Fund	25,000
Total	\$ 294,461	Total	\$ 294,461

The transfers from the General, Major Street, and DDA funds to the Building Authority, Major Street, Local Street, and General 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, 2023

NOTE D - TRANSFERS AND INTERFUND BALANCES (Continued)

The amounts of interfund receivables and payables at June 30, 2023 are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	\$ 338,306	General	\$ 164,561
Major	2,500	Major	74,257
Local	112,802	Local	62,904
Sewer	19,818	Sewer	68,320
Water	22,486	Water	117,755
DDA	32	Trash Disposal	8,147
Total	<u>\$ 495,944</u>	Total	<u>\$ 495,944</u>

Outstanding balances between funds reported as “due to/from other funds” include outstanding charges by one fund to another for services or goods that are paid for by one fund and a portion of which the benefit of the services or goods that are paid for belongs to another fund.

NOTE E - RECEIVABLES

The detail of receivables at June 30, 2023 are as follows:

Receivables	General Fund	Enterprise	Total
Accounts receivable	\$ 143	\$ 316,055	\$ 316,198
Grant receivable	-	863,731	863,731
Total receivables	<u>\$ 143</u>	<u>\$ 1,179,786</u>	<u>\$ 1,179,929</u>

NOTE F - CAPITAL ASSETS

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

	Balance July 01, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets, not being depreciated				
Land	\$ 320,899	\$ -	\$ -	\$ 320,899
Capital assets, being depreciated				
Buildings	934,522	\$ -	\$ -	934,522
Equipment	1,442,364	94,007	1,583	1,534,788
Office equipment	43,263	5,700	-	48,963
Vehicles	78,938	75,766	-	154,704
Improvements	831,266	-	-	831,266
Subtotal	<u>3,330,353</u>	<u>\$ 175,473</u>	<u>\$ 1,583</u>	<u>3,504,243</u>
Accumulated depreciation				
Building	662,090	\$ 21,540	\$ -	683,630
Equipment	1,155,733	47,256	1,268	1,201,721
Office equipment	36,370	1,031	-	37,401
Vehicles	24,287	15,057	-	39,344
Improvements	384,922	37,293	-	422,215
Subtotal	<u>2,263,402</u>	<u>\$ 122,177</u>	<u>\$ 1,268</u>	<u>2,384,311</u>
Net capital assets being depreciated	<u>1,066,951</u>			<u>1,119,932</u>
Net capital assets	<u>\$ 1,387,850</u>			<u>\$ 1,440,831</u>

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE F - CAPITAL ASSETS (Continued)

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

General Fund	\$ 92,007
Building Authority	8,800
Major Streets Fund	18,322
Local Streets Fund	3,048
	<u>\$ 122,177</u>

The components of property, plant, and equipment in City proprietary funds at June 30, 2023 are summarized as follows:

	Balance July 01, 2022	Additions	Deletions	Balance June 30, 2023
SEWER FUND				
Capital assets, not being depreciated				
Construction in progress	\$ 5,496,716	\$ 2,624,552	\$ -	\$ 8,121,268
Capital assets, being depreciated				
Equipment	4,743	\$ -	\$ -	4,743
Vehicles	24,632	-	-	24,632
Sewer system	6,439,495	154,897	-	6,594,392
Subtotal	<u>6,468,870</u>	<u>\$ 154,897</u>	<u>\$ -</u>	<u>6,623,767</u>
Accumulated depreciation				
Equipment	4,478	\$ -	\$ -	4,478
Vehicles	24,632	-	-	24,632
Sewer system	919,076	159,931	-	1,079,007
Subtotal	<u>948,186</u>	<u>\$ 159,931</u>	<u>\$ -</u>	<u>1,108,117</u>
Net capital assets being depreciated	<u>5,520,684</u>			<u>5,515,650</u>
Net capital assets	<u>\$ 11,017,400</u>			<u>\$ 13,636,918</u>
WATER FUND				
Capital assets, not being depreciated				
Land	\$ 17,723	\$ -	\$ -	\$ 17,723
Construction in progress	5,834,452	2,873,657	-	8,708,109
Subtotal	<u>5,852,175</u>	<u>\$ 2,873,657</u>	<u>\$ -</u>	<u>8,725,832</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	86,379	\$ 1,273	\$ -	87,652
Equipment	83,893	12,282	-	96,175
Vehicles	63,967	-	-	63,967
Water system	1,135,407	38,275	-	1,173,682
Wells	120,003	4,738	-	124,741
Subtotal	<u>1,489,649</u>	<u>\$ 56,568</u>	<u>\$ -</u>	<u>1,546,217</u>
Net capital assets being depreciated	<u>1,181,099</u>			<u>1,124,531</u>
Net capital assets	<u>\$ 7,033,274</u>			<u>\$ 9,850,363</u>

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

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, 2023 was \$32,740 and \$10,113 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>
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>\$ 67,000</u>	<u>\$ 14,088</u>	<u>\$ 81,088</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>
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>\$ 23,000</u>	<u>\$ 1,950</u>	<u>\$ 24,950</u>

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

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>
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>\$ 47,000</u>	<u>\$ 3,343</u>	<u>\$ 50,343</u>

Gogebic Range Bank: On August 10, 2016 the City of Bessemer authorized the purchase of a street sweeper 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>
2023-2024	\$ 8,500	\$ 774	\$ 9,274
2024-2025	8,500	580	9,080
2025-2026	8,500	387	8,887
2026-2027	11,052	193	11,245
	<u>\$ 36,552</u>	<u>\$ 1,934</u>	<u>\$ 38,486</u>

Gogebic Range Bank: On February 2, 2021 the City of Bessemer authorized the purchase of a loader mounted snow blower with financing through Gogebic Range Bank in the amount of \$145,543. The loan has an interest rate of 2.5% per annum with principal amounts and interest payable on July 15.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023-2024	\$ 13,373	\$ 2,920	\$ 16,293
2024-2025	13,700	2,593	16,293
2025-2026	14,050	2,244	16,294
2026-2027	14,401	1,892	16,293
2027-2028	14,761	1,532	16,293
2028-2029	15,127	1,166	16,293
2029-2030	15,508	785	16,293
2030-2031	15,898	397	16,295
	<u>\$ 116,818</u>	<u>\$ 13,529</u>	<u>\$ 130,347</u>

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE H - LONG TERM DEBT (Continued)

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>
2023-2024	\$ 42,873	\$ 8,728	\$ 51,601
2024-2025	44,700	7,379	52,079
2025-2026	46,050	5,939	51,989
2026-2027	49,453	4,487	53,940
2027-2028	26,761	3,229	29,990
2028-2029	23,127	2,402	25,529
2029-2030	23,508	1,641	25,149
2030-2031	24,898	825	25,723
2031-2032	9,000	214	9,214
	<u>\$ 290,370</u>	<u>\$ 34,844</u>	<u>\$ 325,214</u>

ENTERPRISE FUNDS

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>
2023-2024	\$ 52,000	\$ 53,780	\$ 105,780
2024-2025	53,000	52,730	105,730
2025-2026	54,000	51,660	105,660
2026-2027	56,000	50,560	106,560
2027-2028	57,000	49,430	106,430
2028-2029	58,000	48,280	106,280
2029-2034	314,000	223,100	537,100
2034-2039	356,000	189,660	545,660
2039-2044	405,000	151,650	556,650
2044-2049	456,000	108,640	564,640
2049-2054	516,000	60,100	576,100
2054-2059	338,000	10,180	348,180
	<u>\$ 2,715,000</u>	<u>\$ 1,049,770</u>	<u>\$ 3,764,770</u>

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE H - LONG TERM DEBT (Continued)

Sewage Disposal System Revenue Bond, Series 2021: On April 14, 2021, the City of Bessemer authorized the sale of a Sewage Disposal System Revenue Bond in the amount of \$2,751,000 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 \$2,751,000 at an interest rate of 2.375% per annum with principal amounts payable May 1 and interest payable semi-annually on May 1 and November 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, 2022, 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>
2023-2024	\$ 44,000	\$ 62,795	\$ 106,795
2024-2025	45,000	61,738	106,738
2025-2026	46,000	60,658	106,658
2026-2027	47,000	59,553	106,553
2027-2028	48,000	58,425	106,425
2028-2029	49,000	57,273	106,273
2029-2034	266,000	267,948	533,948
2034-2039	299,000	234,472	533,472
2039-2044	336,000	196,769	532,769
2044-2049	377,000	154,482	531,482
2049-2054	425,000	106,934	531,934
2054-2059	477,000	53,449	530,449
2059-2062	207,000	4,952	211,952
	<u>\$ 2,666,000</u>	<u>\$ 1,379,448</u>	<u>\$ 4,045,448</u>

Water Supply System Junior Lien Revenue Bond, Series 2021: On April 14, 2021, the City of Bessemer authorized the sale of a Water Supply System Junior Lien Revenue Bond in the amount of \$2,606,000 to provide for the acquisition, construction and equipping of improvements to the water System of the City. The bond was issued in a single denomination of \$2,606,000 at an interest rate of 2.375% per annum with principal amounts payable May 1 and interest payable semi-annually on May 1 and November 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, 2022, at par plus accrued interest to the date fixed for prepayment. Bonds are financed with the United States Development Authority.

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE H - LONG TERM DEBT (Continued)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023-2024	\$ 42,000	\$ 59,470	\$ 101,470
2024-2025	43,000	58,461	101,461
2025-2026	44,000	57,428	101,428
2026-2027	45,000	56,371	101,371
2027-2028	46,000	55,290	101,290
2028-2029	47,000	54,186	101,186
2029-2034	252,000	253,484	505,484
2034-2031	283,000	221,718	504,718
2031-2032	319,000	186,022	505,022
2032-2033	358,000	145,873	503,873
2033-2034	403,000	100,688	503,688
2034-2035	453,000	50,006	503,006
2061-2062	190,000	4,465	194,465
	<u>\$ 2,525,000</u>	<u>\$ 1,303,462</u>	<u>\$ 3,828,462</u>

Water Supply System Revenue Bond, Series 2021: On June 7, 2021, the City of Bessemer authorized the sale of a Water Supply System Revenue Bond in the amount of \$670,000 to defray the cost of acquiring and constructing improvements to the water supply system, including replacement of water service lines, together with related restoration work, improvements, structures, equipment and appurtenances, and to pay costs incidental to the issuing of the bond.. The bond was issued in a single denomination of \$670,000 at an interest rate of 1.87% per annum with principal amounts payable October 1 and interest payable semi-annually on October 1 and April 1. As of June 30, 2023 \$361,831 of the bond had been issued. 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 April 1, 2022, at par plus accrued interest to the date fixed for prepayment. Bonds are financed with the Michigan Finance Authority.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023-2024	\$ -	\$ 4,715	\$ 4,715
2024-2025	30,000	12,563	42,563
2025-2026	30,000	12,000	42,000
2026-2027	30,000	11,438	41,438
2027-2028	30,000	10,875	40,875
2028-2029	30,000	10,313	40,313
2029-2034	155,000	43,125	198,125
2034-2031	175,000	27,656	202,656
2034-2035	190,000	10,969	200,969
	<u>\$ 670,000</u>	<u>\$ 143,654</u>	<u>\$ 813,654</u>

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE H - LONG TERM DEBT (Continued)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023-2024	\$ 138,000	\$ 180,760	\$ 318,760
2024-2025	171,000	185,492	356,492
2025-2026	174,000	181,746	355,746
2026-2027	178,000	177,922	355,922
2027-2028	181,000	174,020	355,020
2028-2029	184,000	170,052	354,052
2029-2034	987,000	787,657	1,774,657
2034-2039	1,113,000	673,506	1,786,506
2039-2044	1,250,000	545,410	1,795,410
2044-2049	1,191,000	408,995	1,599,995
2049-2054	1,344,000	267,722	1,611,722
2054-2059	1,268,000	113,635	1,381,635
2059-2062	397,000	9,417	406,417
	<u>\$ 8,576,000</u>	<u>\$ 3,876,334</u>	<u>\$ 12,452,334</u>

Long-term liabilities activity, as reported in and liquidated through the general fund for the fiscal year ended June 30, 2023, was as follows:

	<u>Balance</u> <u>July 01, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Current</u> <u>Portion</u>
GOVERNMENTAL ACTIVITIES					
Bonds payable:					
2002 Building Authority bonds	\$ 73,000	\$ -	\$ 6,000	\$ 67,000	\$ 6,000
USDA - City Hall roof	27,000	-	4,000	23,000	4,000
USDA - Equipment	58,000	-	11,000	47,000	11,000
Gogebic Range Bank - Street sweeper	45,052	-	8,500	36,552	8,500
Gogebic Range Bank - Loader with snow blower	129,864	-	13,046	116,818	13,373
Total Governmental Activities	<u>\$ 332,916</u>	<u>\$ -</u>	<u>\$ 42,546</u>	<u>\$ 290,370</u>	<u>\$ 42,873</u>
ENTERPRISE FUNDS					
Sewage Disposal System Revenue Bond, Series 2017	\$ 2,765,000	\$ -	\$ 50,000	\$ 2,715,000	\$ 52,000
Sewage Disposal System Bond, Series 2021	2,709,000	-	43,000	2,666,000	44,000
Water System Bond, Series 2021	2,566,000	-	41,000	2,525,000	42,000
Water Supply System Revenue Bond, Series 2021	186,288	175,543	-	361,831	-
Total Enterprise Funds	<u>\$ 8,226,288</u>	<u>\$ 175,543</u>	<u>\$ 134,000</u>	<u>\$ 8,267,831</u>	<u>\$ 138,000</u>
Accrued compensated absences	<u>\$ 51,961</u>	<u>\$ -</u>	<u>\$ 9,108</u>	<u>\$ 42,853</u>	

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

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, 2023 is as follows:

	Sewer	Water
Operating revenues	\$ 650,968	\$ 781,946
Depreciation	\$ 159,931	\$ 56,568
Income (loss) from operations	\$ 38,951	\$ (293,639)
Non-operating revenues (expenses)	\$ (87,869)	\$ (51,956)
Net income (loss)	\$ 2,697,443	\$ 2,550,985
Property, plant & equipment additions	\$ 2,779,449	\$ 2,873,657
Total assets	\$ 14,738,755	\$ 11,062,771
Net working capital surplus (deficit)	\$ 563,639	\$ 471,579
Deferred outflows	\$ 20,001	\$ 112,244
Deferred inflows	\$ 11,186	\$ 63,050
Net investment in capital assets	\$ 13,636,918	\$ 9,850,363
Reserved net position	\$ 8,255,918	\$ 6,963,532
Unreserved net position	\$ 341,967	\$ 263,070
Total net position	\$ 8,774,409	\$ 7,308,566
Net cash provided (used) by:		
Operating activities	\$ 164,012	\$ (249,487)
Noncapital financing activities	\$ 199,306	\$ 87,179
Capital & related financing activities	\$ (218,159)	\$ 127,635
Investing activities	\$ 4,202	\$ 6,764
Beginning cash	\$ 407,395	\$ 312,818
Ending cash	\$ 556,756	\$ 284,909

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.

Sewage Disposal System Revenue Bond, Series 2021

The ordinance authorizing issuance of the Sewage Disposal System Revenue Bond, Series 2021 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.

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE J - RESERVES AND RESTRICTED ASSETS (Contained)

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.

Water Fund

Water System Revenue Bond, Series 2021

The ordinance authorizing issuance of the Water Supply System Revenue Bond, Series 2021 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 - Quarterly transfers are to be made in the sum of not less than \$932 with the annual requirement equal to \$3,728 until the bond reserve account reaches \$120,000 at which time, quarterly transfers will increase to \$3,482 equal to \$13,628 annually.

Sewer Fund	Required	Amount Funded
<u>Sewage Disposal System Revenue Bond, Series 2017</u>		
Bond Reserve Account	\$ 75,000	\$ 75,000
Repair and Replacement Account	-	-
Bond and Interest Redemption Account	26,565	26,565
	<u>\$ 101,565</u>	<u>\$ 101,565</u>
<u>Sewage Disposal System Revenue Bond, Series 2021</u>		
Bond Reserve Account	\$ 32,196	\$ 32,196
Bond and Interest Redemption Account	42,763	42,763
	<u>\$ 74,959</u>	<u>\$ 74,959</u>
Water Fund		
<u>Water System Revenue Bond, Series 2021</u>		
Bond Reserve Account	\$ 30,600	\$ 30,600
Repair and Replacement Account	11,184	11,184
Bond and Interest Redemption Account	40,180	40,180
	<u>\$ 81,964</u>	<u>\$ 81,964</u>

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

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, 2023, the outstanding bonds of the joint ventures are as follows:

	<u>Outstanding</u>	<u>City Portion</u>	
BASA - 1987 bond issue	\$ 365,000	\$ 301,563	82.62 %
BASA - 1998 bond issue	\$ 721,000	\$ 699,370	97.00 %
GRWA - 2011A	\$ 932,000	\$ 273,262	29.32 %
GRWA - 2012A	\$ 1,878,000	\$ 1,487,376	79.20 %
GRWA - 2021E	\$ 2,242,000	\$ 498,845	22.25 %
GRWA - 2017 91-31	\$ 2,076,000	\$ 2,076,000	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, 2022 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>11</u>
Total employees covered by MERS	<u><u>29</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.

Net Pension Liability - The City's net pension liability as of June 30, 2023 was measured as of December 31, 2022, 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, 2023

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 12/31/21	\$ 3,096,441	\$ 2,366,964	\$ 729,477
Changes for the year:			
Service cost	53,267	-	53,267
Interest on total pension liability	230,635	-	230,635
Changes in benefits	-	-	-
Difference between expected and actual experience	87,227	-	87,227
Changes in assumptions	-	-	-
Employer contributions	-	185,715	(185,715)
Employee contributions	-	-	-
Net investment income	-	(260,119)	260,119
Benefit payments, including employee refunds	(176,807)	(176,807)	-
Administrative expense	-	(4,344)	4,344
Other changes	(10,621)	-	(10,621)
Net changes	183,701	(255,555)	439,256
Balances as of 12/31/22	\$ 3,280,142	\$ 2,111,409	\$ 1,168,733

Actuarial assumptions - The total pension liability in the December 31, 2022 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	7.00%	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%.

Mortality rates used were based on the version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

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%	2.7%
Global fixed income	20%	.4%
Private investment	20%	1.40%

Discount rate - The discount rate used to measure the total pension liability is 7.25% for 2022. 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 7.25%, as well as what the City’s Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.25%) or 1% higher (8.25%) than the current rate.

	1% Decrease	Current Discount Rate	1% Decrease
Net pension liability of the City	\$ 1,517,314	\$ 1,168,733	\$ 872,316

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, 2023

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, 2023 the City recognized pension expense of \$40,923. 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	\$ 87,226	\$ 209,906
Differences in assumptions	154,058	-
Excess (deficit) investment returns	482,768	215,989
Contributions subsequent to the measurement date	67,996	-
Total	<u>\$ 792,048</u>	<u>\$ 425,895</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, 2024.

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>
2024	\$ 77,509
2025	26,717
2026	53,586
2027	50,387
2028	89,957
Total	<u>\$ 298,157</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. The plan was merged with the City's existing MERS defined benefit plan during the fiscal year end, June 30, 2023.

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.

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

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, 2023 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 - 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 and a loan in the amount of \$2,751,000 and grant in the amount of \$8,425,000 were obligated through USDA, Rural Development for a sewer improvement project. Both projects began in the 2020-21 fiscal year and will continue into the next fiscal year.

On August 3, 2021 the City signed a grant agreement with EGLE for a drinking water asset management grant in the amount of \$458,994. The project began in the 2021-22 fiscal year and will continue into the next fiscal year.

On September 27, 2023 the City signed a loan agreement with Incredible bank in the amount of \$300,000 for the reconstruction of various local and major roads within the City.

In December 2023 the City agreed to move forward with a new reservoir and water main replacement with a total cost of \$8,000,000. The project will be funded with a DWSRF loan in the amount of \$4,000,000 and an ARPA grant in the amount of \$4,000,000. The City is expected to close on the loan in August 2024.

NOTE Q - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

CITY OF BESSEMER
NOTES TO FINANCIAL STATEMENTS - June 30, 2023

NOTE Q - UPCOMING ACCOUNTING PRONOUNCEMENTS (Continued)

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and be recognized and (2) leave that have been used by not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BESSEMER
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 579,200	\$ 619,133	\$ 619,102	\$ (31)
Licenses & permits	5,900	6,320	6,202	(118)
State sources	269,000	350,508	281,055	(69,453)
Federal grants	89,334	-	-	-
Charges for services	599,000	647,550	647,317	(233)
Interest	6,000	11,000	11,259	259
Other revenues	72,250	91,632	79,580	(12,052)
Total revenues	<u>1,620,684</u>	<u>1,726,143</u>	<u>1,644,515</u>	<u>(81,628)</u>
Expenditures				
General government	1,026,300	1,181,485	974,460	207,025
Public safety	148,720	126,987	125,912	1,075
Public works	256,525	355,717	351,390	4,327
Recreation and culture	98,500	126,166	119,135	7,031
Debt service	43,620	43,744	43,744	-
Total expenditures	<u>1,573,665</u>	<u>1,834,099</u>	<u>1,614,641</u>	<u>219,458</u>
Excess (deficiency) of revenues over expenditures	47,019	(107,956)	29,874	137,830
Other financing sources (uses)				
Increase/(decrease) in fair value of investments	-	-	(19,036)	(19,036)
Operating transfers in (out)	(6,200)	(174,461)	(174,461)	-
Total other financing sources (uses)	<u>(6,200)</u>	<u>(174,461)</u>	<u>(193,497)</u>	<u>(19,036)</u>
Net change in fund balance	<u>\$ 40,819</u>	<u>\$ (282,417)</u>	(163,623)	<u>\$ 118,794</u>
Fund balance - Beginning of year			<u>956,604</u>	
Fund balance - End of year			<u>\$ 792,981</u>	

CITY OF BESSEMER
MAJOR STREET FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance Final to Actual
	Original	Final		
Revenues				
State sources	\$ 373,200	\$ 316,804	\$ 338,695	\$ 21,891
Interest	75	75	523	448
Total revenues	<u>373,275</u>	<u>316,879</u>	<u>339,218</u>	<u>22,339</u>
Expenditures				
General administration	94,900	91,225	86,533	4,692
Highways and streets:				
Public Works	<u>206,200</u>	<u>223,127</u>	<u>208,871</u>	<u>14,256</u>
Total expenditures	<u>301,100</u>	<u>314,352</u>	<u>295,404</u>	<u>18,948</u>
Excess (deficiency) of revenues over expenditures	72,175	2,527	43,814	41,287
Other financing sources (uses)				
Operating transfers in (out)	<u>(70,000)</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Net change in fund balance	<u>\$ 2,175</u>	<u>\$ 12,527</u>	53,814	<u>\$ 41,287</u>
Fund balance - Beginning of year			<u>319,566</u>	
Fund balance - End of year			<u>\$ 373,380</u>	

CITY OF BESSEMER
LOCAL STREET FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance Final to Actual
	Original	Final		
Revenues				
State sources	\$ 172,200	\$ 123,025	\$ 130,182	\$ 7,157
Interest	20	35	83	48
Total revenues	<u>172,220</u>	<u>123,060</u>	<u>130,265</u>	<u>7,205</u>
Expenditures				
General administration	81,850	81,525	79,371	2,154
Highways and streets:				
Maintenance	42,750	51,375	49,774	1,601
Construction	-	250	102	148
Snow & ice	<u>120,300</u>	<u>166,131</u>	<u>164,314</u>	<u>1,817</u>
Total expenditures	<u>244,900</u>	<u>299,281</u>	<u>293,561</u>	<u>5,720</u>
Excess (deficiency) of revenues over expenditures	(72,680)	(176,221)	(163,296)	12,925
Other financing sources (uses)				
Operating transfers in (out)	<u>73,000</u>	<u>180,000</u>	<u>180,000</u>	<u>-</u>
Net change in fund balance	<u>\$ 320</u>	<u>\$ 3,779</u>	16,704	<u>\$ 12,925</u>
Fund balance - Beginning of year			<u>22,695</u>	
Fund balance - End of year			<u>\$ 39,399</u>	

CITY OF BESSEMER
SCHEDULE OF CHANGES IN THE CITY'S NET
PENSION LIABILITY AND RATIOS
Year Ended June 30, 2023

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability									
Service cost	\$ 53,267	\$ 47,834	\$ 50,422	\$ 52,226	\$ 47,823	\$ 46,898	\$ 50,140	\$ 51,310	\$ 50,228
Interest	230,635	219,079	206,817	206,628	205,757	197,338	204,966	209,709	202,328
Benefit payments, including refunds	(176,807)	(161,849)	(142,282)	(127,592)	(133,776)	(139,606)	(157,717)	(147,737)	(179,524)
Difference between expected and actual experience	87,227	(54,887)	(7,257)	(51,042)	(114,197)	(2,782)	(200,166)	-	-
Changes in assumptions	-	106,633	64,726	66,447	(2)	-	(10,621)	(87,555)	-
Other changes	<u>(10,621)</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>(2)</u>	<u>-</u>	<u>(10,621)</u>	<u>(87,555)</u>	<u>-</u>
Net change in total pension liability	183,701	156,810	172,426	146,669	5,603	101,848	(124,019)	(61,828)	73,032
Total pension liability - beginning of year	<u>3,096,441</u>	<u>2,939,631</u>	<u>2,767,205</u>	<u>2,620,536</u>	<u>2,614,933</u>	<u>2,513,085</u>	<u>2,615,862</u>	<u>2,590,135</u>	<u>2,517,103</u>
Total pension liability - end of year	3,280,142	3,096,441	2,939,631	2,767,205	2,620,536	2,614,933	2,491,843	2,528,307	2,590,135
Plan fiduciary net position									
Contributions - employer	185,715	108,352	108,282	108,389	109,464	113,302	107,243	113,049	100,440
Contributions - employee	-	-	-	-	-	-	-	-	-
Net investment income	(260,119)	286,765	270,922	230,296	(70,429)	212,963	167,502	(23,091)	95,699
Administrative expenses	(4,344)	(3,399)	(3,842)	(3,968)	(3,480)	(3,371)	(3,307)	(3,379)	(3,499)
Benefit payments, including refunds	<u>(176,807)</u>	<u>(161,849)</u>	<u>(142,282)</u>	<u>(127,592)</u>	<u>(133,776)</u>	<u>(139,606)</u>	<u>(157,717)</u>	<u>(147,737)</u>	<u>(179,524)</u>
Net change in plan fiduciary net position	(255,555)	229,869	233,080	207,125	(98,221)	183,288	113,721	(61,158)	13,116
Plan fiduciary net position - beginning of year	<u>2,366,964</u>	<u>2,137,095</u>	<u>1,904,015</u>	<u>1,696,890</u>	<u>1,795,111</u>	<u>1,611,823</u>	<u>1,498,102</u>	<u>1,559,260</u>	<u>1,546,144</u>
Plan fiduciary net position - end of year	2,111,409	2,366,964	2,137,095	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>\$ 1,168,733</u>	<u>\$ 729,477</u>	<u>\$ 802,536</u>	<u>\$ 863,190</u>	<u>\$ 923,646</u>	<u>\$ 819,822</u>	<u>\$ 880,020</u>	<u>\$ 1,030,205</u>	<u>\$ 1,030,875</u>
Plan fiduciary net position as a percent of total pension	64.37 %	76.44 %	72.70 %	68.81 %	64.75 %	68.65 %	64.68 %	59.25 %	60.20 %
Covered employee payroll	\$ 579,616	\$ 569,455	\$ 589,041	\$ 612,262	\$ 561,961	\$ 545,328	\$ 542,638	\$ 573,298	\$ 561,208
City's net pension liability as a percent of covered employee	201.64 %	128.10 %	136.24 %	140.98 %	164.36 %	150.34 %	162.17 %	179.70 %	183.69 %

CITY OF BESSEMER
SCHEDULE OF CITY CONTRIBUTIONS
Year Ended June 30, 2023

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarial determined contributions	\$ 185,710	\$ 106,805	\$ 103,670	\$ 108,389	\$ 109,464	\$ 113,302	\$ 107,243	\$ 113,049	\$ 100,440
Contributions in relation to the actuarially determined contributions	<u>185,715</u>	<u>108,352</u>	<u>108,282</u>	<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>\$ (5)</u></u>	<u><u>\$ (1,547)</u></u>	<u><u>\$ (4,612)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
 Covered-employee payroll	 \$ 579,616	 \$ 569,455	 \$ 589,041	 \$ 612,262	 \$ 561,961	 \$ 545,328	 \$ 542,638	 \$ 573,298	 \$ 561,208
Contributions as a percentage of covered-employee payroll	32.04 %	19.03 %	18.38 %	17.70 %	19.48 %	20.78 %	19.76 %	19.72 %	17.90 %

CITY OF BESSEMER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - June 30, 2023

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	16 years
Asset valuation method	5 years smoothed
Inflation	2.5%
Salary increases	3.00%
Investment rate of return	7.00%
Retirement age	60
Mortality	Pub-2010 - fully generational MP-2019

SUPPLEMENTARY INFORMATION

CITY OF BESSEMER
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2023

	<u>DDA</u>	<u>Building Authority</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 73,903	\$ -	\$ 73,903
Due from other funds	32	-	32
Total assets	<u>\$ 73,935</u>	<u>\$ -</u>	<u>\$ 73,935</u>
Liabilities			
Accounts payable	\$ 3,774	\$ -	\$ 3,774
Total liabilities	<u>3,774</u>	<u>-</u>	<u>3,774</u>
Fund balances			
Restricted	<u>70,161</u>	<u>-</u>	<u>70,161</u>
Total fund balances	<u>70,161</u>	<u>-</u>	<u>70,161</u>
Total liabilities and fund balances	<u>\$ 73,935</u>	<u>\$ -</u>	<u>\$ 73,935</u>

CITY OF BESSEMER
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2023

	<u>DDA</u>	<u>Building Authority</u>	<u>Total</u>
Revenues			
Property taxes	\$ 43,270	\$ -	\$ 43,270
Interest	<u>1,104</u>	<u>-</u>	<u>1,104</u>
Total revenues	<u>44,374</u>	<u>-</u>	<u>44,374</u>
Expenditures			
Highways and streets:			
Development	54,942	-	54,942
Debt service:			
Principal	-	6,000	6,000
Interest	<u>-</u>	<u>3,461</u>	<u>3,461</u>
Total expenditures	<u>54,942</u>	<u>9,461</u>	<u>64,403</u>
Excess (deficiency) of revenues over expenditures	<u>(10,568)</u>	<u>(9,461)</u>	<u>(20,029)</u>
Other financing sources (uses)			
Operating transfers in (out)	<u>(25,000)</u>	<u>9,461</u>	<u>(15,539)</u>
Net change in fund balance	(35,568)	-	(35,568)
Fund balance - Beginning of year	<u>105,729</u>	<u>-</u>	<u>105,729</u>
Fund balance - End of year	<u>\$ 70,161</u>	<u>\$ -</u>	<u>\$ 70,161</u>

FEDERAL AWARDS PROGRAMS

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bessemer, Michigan, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Bessemer, Michigan's basic financial statements and have issued our report thereon dated February 5, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Bessemer, Michigan’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002.

City of Bessemer, Michigan’s Response to Findings

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

Purpose of This Report

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

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

February 5, 2024

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

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

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Bessemer, Michigan’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Bessemer, Michigan’s major federal programs for the year ended June 30, 2023. City of Bessemer, Michigan’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Bessemer, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Bessemer, Michigan's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Bessemer, Michigan's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Bessemer, Michigan's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Bessemer, Michigan's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Bessemer, Michigan's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

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

February 5, 2024

CITY OF BESSEMER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Agriculture		
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 5,422,716
United States Department of Agriculture OR Rural business - cooperative Service		
Rural Business Development Grant	10.351	39,187
US Department of Treasury		
Passed Through the Office of the State of Michigan department of Treasury Coronavirus State and Local Fiscal Recovery Funds		
Coronavirus Local Fiscal Recovery Fund	21.027	<u>121,846</u>
Total		<u><u>\$ 5,583,749</u></u>

CITY OF BESSEMER
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

NOTE A - OVERSIGHT AGENCY

The U. S. Department of Agriculture is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the City's expenditures of federal awards.

NOTE B - BASIS OF ACCOUNTING

Expenditures reported in the Schedule are reported on the accrual basis of accounting.

NOTE C - INDIRECT COST RATE

The City of Bessemer has elected to use the 10 percent *de minimis* indirect cost rate to recover indirect costs as permitted by CFR Section 200.414 of the Uniform Guidance.

NOTE D -- FEDERAL AWARDS FINANCIAL STATEMENT RECONCILIATION

Enterprise Funds - Federal Grant (Page 23)	\$ 5,544,575
Plus Federal expenditures incurred related to USDA Rural Business Development Grant #10.351 awarded but no funds requested for reimbursement as of September 30, 2023.	39,187
Less difference due to USDA rounding	<u>(13)</u>
Total Federal Revenue	<u><u>\$ 5,583,749</u></u>
Total Federal Expenditures	<u><u>\$ 5,583,749</u></u>

NOTE E - PASS-THROUGH GRANT MONIES

During the fiscal year ending June 30, 2023, the City did not pass through any awards to subrecipients.

CITY OF BESSEMER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal Control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?	No
Name of Federal Program	CFDA Number
U.S. Department of Agriculture - Water and Waste Disposal Systems for Rural Communities	10.760
Dollar threshold used to distinguish between type A and type B program:	\$750,000
Auditee qualified as low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

Instances of Non-compliance with State Statutes

2023-001 Budget (repeat)

Condition/Criteria: Public Act 621 of 1978, as amended, provides that cities shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the City of Bessemer has actual expenditures and budgeted expenditures. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended June 30, 2023, the City of Bessemer incurred expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

Cause of Condition: Failure to amend the budgets during the year based on the level of expenditures.

Effect: The City of Bessemer is not in compliance with State Statutes.

Recommendation: The City of Bessemer should control expenditures in each governmental fund so as not to exceed the amounts appropriated. When this is not possible, the budget should be amended accordingly.

View of Responsible Officials: The budget will be closely monitored and budget amendments will be made accordingly. Please see corrective action plan on beginning on page 74.

CITY OF BESSEMER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2023

2023-002 Uniform Chart of Accounts

Criteria: Public Act 2 of 1968 as amended, requires the City to follow the Michigan Department of Treasury's Uniform chart of Accounts.

Condition: As of June 30, 2023, the City is not in compliance with the Michigan Department of Treasury's new Uniform Chart of Accounts, as required by Public Act 2 of 1968 as amended. The deadline for implementing the new Uniform Chart of Accounts for the Township is June 30, 2023.

Cause: The City has had recent employee turnover, resulting in a delay of updating their chart of accounts.

Effect: The City of Bessemer is not in compliance with State Law.

Questioned Costs: This finding does not result in questioned costs.

Recommendation: The City of Bessemer should implement the Michigan Department of Treasury's Uniform Chart of Accounts for their fiscal year end June 30, 2024.

View of Responsible Officials: The City is in agreement and will make a concerted effort to be in compliance with the Michigan Department of Treasury's new Uniform Chart of Accounts for the fiscal year ending June 30, 2024. Please see corrective action plan on beginning on page 74.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year - No matters were reported.

Prior Year - No matters were reported.

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, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, 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 September 21, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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, 2023. 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 February 5, 2024.

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*

February 5, 2024



Peter Tacconelli
Mayor

Michigan
Bessemer

411 S. Sophie, Bessemer, MI 49911

- Clerk: (906) 667-0333
- Manager: (906) 663-4311
- Fax: (906) 667-0467
- Michigan Relay TDD: 1-800-649-3777

Corrective Action Plan

For the Fiscal Year Ended June 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

FINDING: 2023-001

Name of contact person: Mandy Lake, Clerk/Treasurer, 906-663-4311

Description of Finding: Public Act 621 of 1978, as amended, provides that cities shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the City of Bessemer has actual expenditures and budgeted expenditures. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended June 30, 2023, the City of Bessemer incurred expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

Auditor Recommendation: The City of Bessemer's new personnel should focus on controlling expenditures in each governmental fund so as not to exceed the amounts appropriated. When this is not possible, the budget should be amended accordingly.

Statement of Concurrence or Nonconcurrence: We agree with this finding.

Corrective Action Plan: The budget will be more closely monitored and budget amendments will be made accordingly.

Proposed Completion Date: Immediately

Be Home

An Equal Opportunity Employer and Provider



Peter Tacconelli
Mayor

Michigan
Bessemer

411 S. Sophie, Bessemer, MI 49911

- Clerk: (906) 667-0333
- Manager: (906) 663-4311
- Fax: (906) 667-0467
- Michigan Relay TDD: 1-800-649-3777

FINDING: 2023-002

Description of Finding: Public Act 2 of 1968 as amended, requires Michigan Cities to follow the Michigan Department of Treasury's Uniform Chart of Accounts. As of June 30, 2023, the City is not in compliance with the Michigan Department of Treasury's new Uniform Chart of Accounts, as required by Public Act 2 of 1968 as amended. The deadline for implementing the new Uniform Chart of Accounts for the City was June 30, 2023.

Auditor Recommendation: The City of Bessemer should implement the Michigan Department of Treasury's Uniform Chart of Accounts for their fiscal year ending June 30, 2024.

Statement of Concurrence or Nonconcurrence: We agree with this finding.

Corrective Action Plan: The City will make a concerted effort to be in compliance with the Michigan Department of Treasury's new Uniform Chart of Accounts for the fiscal year ending June 30, 2024.

Proposed Completion Date: June 30, 2024

Be Home

An Equal Opportunity Employer and Provider