

**City of Bessemer City
Bessemer City, North Carolina
For the year ended
June 30, 2020**

**Independent Auditor's Reports
Basic Financial Statements
And
Information Accompanying the
Basic Financial Statements**

CITY OF BESSEMER CITY
NORTH CAROLINA

City Council Members

Becky S. Smith, Mayor
Dan Boling
Kay McCathen
Joe Will
Sonny Boyd
Alfred Carpenter
Donnie Griffin

Administrative and Financial Staff

James Inman, City Manager
Diane Jenkins, Finance Director
Hydeia Hayes, City Clerk

Audited

Financial Statements

At

June 30, 2020

And

For The Year Then Ended

CITY OF BESSEMER CITY
TABLE OF CONTENTS
June 30, 2020

| | <u>Exhibit/ Schedule</u> | <u>Page No.</u> |
|--|------------------------------|-----------------|
| FINANCIAL SECTION | | |
| INDEPENDENT AUDITOR'S REPORT | | 1-2 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | | 3-11 |
| BASIC FINANCIAL STATEMENTS: | | |
| Government-wide Financial Statements: | | |
| Statement of Net Position | A | 12 -- 13 |
| Statement of Activities | B | 14 |
| Fund Financial Statements: | | |
| Balance Sheet – Governmental Funds | C | 15 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds | D | 16 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | E | 17 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund | F | 18 |
| Statement of Net Position – Proprietary Funds | G | 19 |
| Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds | H | 20 |
| Statement of Cash Flows – Proprietary Funds | I | 21-22 |
| Notes to the Financial Statements | | 23 – 56 |
| REQUIRED SUPPLEMENTARY INFORMATION: | | |
| Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance | J | 57 |
| Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance | K | 58 |
| Schedule of Changes in Total OPEB Liability and Related Ratios | L | 59 |
| Schedule of Proportionate Share of Net Pension Liability (Asset) | M | 60 |
| Schedule of Contributions | N | 61 |
| COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES: | | |
| Governmental Funds | | |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual | 1 | 62 - 65 |
| Combining Balance Sheet – Non-Major Governmental Funds | 2 | 66 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-Major Governmental Funds | 3 | 67 |
| Special Revenue Fund – Community Development Block Grant Number 00- C-0638 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual | 4 | 68 |
| North Park Capital Project Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual | 5 | 69 |

| | | |
|--|----|---------|
| Sidewalk Capital Project Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual | 6 | 70 |
| Enterprise Funds: | | |
| Water and Wastewater Fund | | |
| Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) | 7 | 71 - 73 |
| Water Sewer Capital Project Fund Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP) | 8 | 74 |
| Water Sewer Stinger Park Capital Project Fund Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) | 9 | 75 |
| Public Works Facility Capital Project Fund – Budget and Actual (Non-GAAP) From Inception | 10 | 76 |
| Natural Gas Fund | | |
| Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) | 11 | 77-78 |
| Natural Gas Facility Capital Project Fund | | |
| Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) | 12 | 79 |
| Storm Water Fund | | |
| Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) | 13 | 80 |

OTHER SCHEDULES

| | | |
|---|----|----|
| Schedule of Ad Valorem Taxes Receivable | 14 | 81 |
| Analysis of Current Tax Levy – City Wide Levy | 15 | 82 |

COMPLIANCE SECTION

| | | |
|---|----------------|-------|
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | | 83-84 |
| Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and State Single Audit | | 85-86 |
| Schedule of Findings and Questioned Costs | Statement 1 | 87 |
| Financial Statement Findings | 1 | 88 |
| Summary Schedule of Prior Audit Findings | 1 | 89 |
| Schedule of Federal and State Financial Assistance | Schedule 16 | 90 |

EDDIE CARRICK, CPA, PC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To Honorable Mayor
And Members of the City Council
City of Bessemer City, North Carolina

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of the City of Bessemer City ABC Board. Those statements were audited by another auditor whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included for the City of Bessemer City ABC Board, is based solely on the report of another auditor. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the City of Bessemer City ABC Board were not audited in accordance with *Government Auditing Standards*.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, based on my audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bessemer City, North Carolina, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 11, the Law Enforcement Officers' Special Separation Allowance and the Other Postemployment Benefits

Schedules of Funding Progress and Employer Contributions, on pages 57- 59, respectively, the Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 60 and 61, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bessemer City, North Carolina's basic financial statements. The combining and individual fund schedules, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and state awards as required by Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund schedules, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, based on my audit, and the procedures performed as describe above, the combining and individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 13, 2020, on my consideration of the City of Bessemer City, North Carolina's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bessemer City, North Carolina's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note 7 to the financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. My opinion is not modified with respect to this matter.

Eddie Carrick CPA, PC



Lexington, North Carolina
November 13, 2020

Management's Discussion and Analysis

As management of the City of Bessemer City, we offer readers of the City of Bessemer City's financial statements this narrative overview and analysis of the financial activities of the City of Bessemer City for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

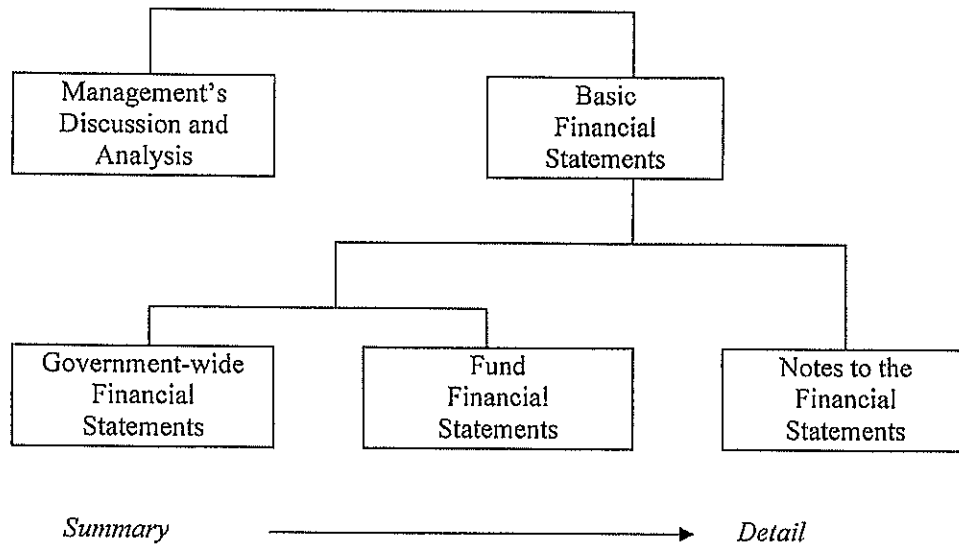
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$26,811,739 (*net position*).
- The government's total net position increased by \$1,212,167 due to a decrease in the governmental activities net position of \$424,610 and an increase in the business-type activities net position of \$1,636,777.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,450,873 with a net increase of \$50,061 in fund balance. Approximately 35.2% of this total amount, or \$860,650, is nonspendable, assigned, or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,590,223, or 31.5% of total General Fund expenditures for the fiscal year.
- The City of Bessemer City's total debt decreased by \$20,785 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Bessemer City.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits C through I) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-wide Financial Analysis

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and wastewater, natural gas, and storm water services offered by the City. The final category is the component unit. Although legally separate from the City, the City of Bessemer City ABC Board (the "Board") is important to the City. The City exercises control over the Board by appointing its members and the Board is required to distribute its profits to the City.

The government-wide financial statements are Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the City's most significant activities. 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 of Bessemer City, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Bessemer City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Bessemer City adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The City of Bessemer City has one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Bessemer City uses enterprise funds to account for its water and wastewater activity, natural gas operations, and for its storm water operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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. The notes to the financial statements begin on page 23 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Bessemer City's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found beginning on page 57 of this report.

The combining and individual fund statements and schedules are presented immediately following the required supplementary information on pensions and other postemployment benefits. Combining and individual fund statements and schedules can be found beginning on page 62 of this report.

Interdependence with Other Entities – The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

The City of Bessemer City's Net Position

Figure 2

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Current and other assets | \$ 2,960,100 | \$ 2,902,996 | \$ 1,635,671 | \$ 3,833,019 | \$ 4,595,771 | \$ 6,736,015 |
| Capital assets | 11,014,471 | 11,001,815 | 21,123,311 | 17,910,972 | 32,137,782 | 28,912,797 |
| Deferred outflows of resources | 573,582 | 550,522 | 224,875 | 244,127 | 798,457 | 794,649 |
| Total assets and deferred outflows of resources | 14,548,153 | 14,455,343 | 22,983,857 | 21,988,118 | 37,532,010 | 36,443,461 |
| Long-term liabilities | 3,189,908 | 2,681,316 | 6,055,874 | 6,379,442 | 9,245,782 | 9,060,758 |
| Other liabilities | 488,838 | 464,869 | 946,543 | 1,259,905 | 1,435,381 | 1,726,973 |
| Deferred inflows of resources | 34,698 | 49,839 | 4,410 | 8,933 | 39,108 | 58,772 |
| Total liabilities and deferred inflows of resources | 3,713,444 | 3,196,024 | 7,006,827 | 7,647,865 | 10,720,271 | 10,843,889 |
| Net position | | | | | | |
| Net investment in capital assets | 8,898,048 | 9,199,909 | 15,171,888 | 11,592,096 | 24,069,936 | 20,792,005 |
| Restricted | 768,427 | 731,619 | - | - | 768,427 | 731,619 |
| Unrestricted | 1,168,234 | 1,327,791 | 805,142 | 2,748,157 | 1,973,376 | 4,075,948 |
| Total net position | \$ 10,834,709 | \$ 11,259,319 | \$ 15,977,030 | \$ 14,340,253 | \$ 26,811,739 | \$ 25,599,572 |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City exceeded liabilities and deferred inflows of resources by \$26,811,739 as of June 30, 2020. The City's net position increased by \$1,212,167 for the fiscal year ended June 30, 2020. However, this increase reflects the City's investment in capital assets (e.g. land, buildings, machinery and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City's net position, \$768,427, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,973,376 is unrestricted. Several particular aspects of the City's financial operations influenced the total unrestricted governmental net position:

- Continued diligence in collection of property taxes by maintaining a tax collection percentage of 97.88%.

The following table provides a summary of the City's changes in net position:

The City of Bessemer City's Changes Net Position

Figure 3

| | Governmental Activities | | Business-type Activities | | Totals | |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 566,238 | \$ 588,950 | \$ 6,242,819 | \$ 6,311,286 | \$ 6,809,057 | \$ 6,900,236 |
| Operating grants and contributions | 301,087 | 352,260 | - | - | 301,087 | 352,260 |
| Capital grants and contributions | 117,321 | - | - | - | 117,321 | - |
| General revenues: | | | | | | |
| Property taxes | 2,087,074 | 1,861,351 | - | - | 2,087,074 | 1,861,351 |
| Other taxes | 48 | 916 | - | - | 48 | 916 |
| Grants and contributions not restricted to specific programs | 1,172,261 | 1,197,478 | 1,930,930 | - | 3,103,191 | 1,197,478 |
| Other | 248,168 | 102,384 | (42,647) | 1,148 | 205,521 | 103,532 |
| Total revenues | <u>4,492,197</u> | <u>4,103,339</u> | <u>8,131,102</u> | <u>6,312,434</u> | <u>12,623,299</u> | <u>10,415,773</u> |
| Expenses: | | | | | | |
| General government | 563,764 | 835,440 | - | - | 563,764 | 835,440 |
| Public safety | 2,074,345 | 1,773,012 | - | - | 2,074,345 | 1,773,012 |
| Transportation | 1,258,424 | 1,156,613 | - | - | 1,258,424 | 1,156,613 |
| Economic and physical development | 186,574 | 131,838 | - | - | 186,574 | 131,838 |
| Cultural and recreation | 883,590 | 842,233 | - | - | 883,590 | 842,233 |
| Interest on long-term debt | 46,827 | 41,808 | - | - | 46,827 | 41,808 |
| Water and sewer | - | - | 4,767,954 | 4,362,394 | 4,767,954 | 4,362,394 |
| Natural gas | - | - | 1,392,045 | 1,433,345 | 1,392,045 | 1,433,345 |
| Storm water | - | - | 237,609 | 115,627 | 237,609 | 115,627 |
| Total expenses | <u>5,013,524</u> | <u>4,780,944</u> | <u>6,397,608</u> | <u>5,911,366</u> | <u>11,411,132</u> | <u>10,692,310</u> |
| Increase (decrease) in net position before transfers | (521,327) | (677,605) | 1,733,494 | 401,068 | 1,094,846 | (276,537) |
| Transfers | 96,717 | 401,122 | (96,717) | (401,122) | - | - |
| Change in net position | (424,610) | (275,483) | 1,636,777 | (1,054) | 1,212,167 | (276,537) |
| Net position, beginning | <u>11,259,319</u> | <u>11,534,802</u> | <u>14,340,253</u> | <u>14,341,307</u> | <u>25,599,572</u> | <u>25,876,109</u> |
| Net position, end of year | <u>\$ 10,834,709</u> | <u>\$ 11,259,319</u> | <u>\$ 15,977,030</u> | <u>\$ 14,340,253</u> | <u>\$ 26,811,739</u> | <u>\$ 25,599,572</u> |

Governmental Funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City's financing requirements.

The general fund is the chief operating fund of the City of Bessemer City. At the end of the current fiscal year, the City's fund balance available in the General Fund was \$1,590,223, while total fund balance was \$2,290,327. The City currently has an available fund balance of 31.5% of General Fund expenditures, and total fund balance represents 48.5% of that same amount.

At June 30, 2020, the governmental funds of the City reported a combined fund balance of \$2,450,873 with a net increase in fund balance of \$50,061.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Business-type Activities: The City's business-type activities provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the business-type funds at the end of the fiscal year amounted to \$805,142. The total change in net position for the business-type activities was \$1,636,777.

Capital Asset and Debt Administration

Capital assets: The City of Bessemer City's net investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$32,137,782 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

City of Bessemer City's Capital Assets
Net of Accumulated Depreciation
Figure 4

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Totals</u> | |
|----------------------------------|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| Land | \$ 577,795 | \$ 589,295 | \$ 534,152 | \$ 490,568 | \$ 1,111,947 | \$ 1,079,863 |
| Buildings and improvements | 4,858,517 | 5,171,702 | - | - | 4,858,517 | 5,171,702 |
| Other improvements | - | - | 15,020,786 | 15,546,667 | 15,020,786 | 15,546,667 |
| Equipment and furniture | 576,119 | 447,078 | 499,100 | 361,599 | 1,075,219 | 808,677 |
| Infrastructure | 3,769,677 | 3,863,597 | - | - | 3,769,677 | 3,863,597 |
| Vehicles and motorized equipment | 957,834 | 768,385 | 372,205 | 414,361 | 1,330,039 | 1,182,746 |
| Construction in progress | 274,529 | 161,768 | 4,697,068 | 1,097,777 | 4,971,597 | 1,259,545 |
| Total | \$ 11,014,471 | \$ 11,001,825 | \$ 21,123,311 | \$ 17,910,972 | \$ 32,137,782 | \$ 28,912,797 |

Additional information on the City's capital assets can be found in Note 3.5 of the Basic Financial Statements.

Long-term Debt: As of June 30, 2020, the City's outstanding balance on external long-term debt was \$9,745,805.

City of Bessemer City's Outstanding Debt
Figure 5

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Totals</u> | |
|-----------------------|--------------------------------|---------------------|---------------------------------|---------------------|---------------------|---------------------|
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| Installment financing | \$ 2,116,423 | \$ 1,801,917 | \$ 5,883,893 | \$ 6,219,185 | \$ 8,000,316 | \$ 8,021,102 |
| Capital leases | - | - | 67,530 | 99,690 | 67,530 | 99,690 |
| Compensated absences | 164,333 | 117,087 | 75,282 | 57,821 | 239,615 | 174,908 |
| OPEB | 139,354 | 137,302 | 78,193 | 79,094 | 217,547 | 216,396 |
| Pension related debt | 1,118,429 | 898,224 | 341,983 | 294,383 | 1,460,412 | 1,192,607 |
| Total | \$ 3,538,539 | \$ 2,954,530 | \$ 6,446,881 | \$ 6,750,173 | \$ 9,985,420 | \$ 9,704,703 |

City of Bessemer City's Outstanding Debt

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The remaining legal debt margin for City of Bessemer City is \$26,392,384.

Additional information regarding the City of Bessemer City's long-term debt can be found in Note 3.6 of the report.

Economic Factors and Next Year's Budgets and Rates

Dhollandia: \$30 million investment for new hydraulic lift manufacturing plant; 200 new jobs in a 375,000 square foot facility; opening fall 2021.

Osage Mill Redevelopment: \$38,000,000 investment downtown historic project redeveloping mill property into 171 apartments and 30,000 square feet of commercial, retail, and community space. Construction start date is the first quarter of 2021.

Public Works

This project on existing facility to better service citizens for streets, maintenance, water, gas, collections, emergency operations, and other public works-related services was completed in August of 2020 at a cost of \$4,642,000, with \$2,000,000.00 of the cost being defrayed by a grant from USDA.

City Hall Annex

New facility was purchased by the City for \$225,000 in October 2018 that was formerly used as a bank that is currently used for citizens services including: 1) customer service, 2), finance, and 3), utility billing. During COVID 19 this facility has allowed us to provide service to our citizens with drive thru service without exposing citizens or staff to COVID 19.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, City of Bessemer City, 125 East Virginia Avenue, Bessemer City, North Carolina 28016. You may also call 704-629-5542 or visit our website at www.bessemercity.com. Questions concerning any of the City's component unit information contained in this report should be directed to the Finance Officer of the City of Bessemer City ABC Board, 208 West Alabama Avenue, Bessemer City, North Carolina, 28016.

CITY OF BESSEMER CITY, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2020

Exhibit A
Page 1 of 2

| | Primary Government | | | |
|---|----------------------------|-----------------------------|----------------------|----------------------------|
| | Governmental Activities | Business-type Activities | Total | Bessemer City ABC Board |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 1,743,292 | \$ 120,652 | \$ 1,863,944 | \$ 90,848 |
| Restricted cash | 315,886 | 188,940 | 504,826 | - |
| Receivables: | | | | |
| Taxes receivable - net | 221,765 | - | 221,765 | - |
| Accounts receivable - net | 246,170 | 1,115,838 | 1,362,008 | - |
| Due from other governments | 353,626 | - | 353,626 | - |
| Inventories | - | 175,827 | 175,827 | 92,067 |
| Prepaid expenses | - | - | - | 1,148 |
| Total current assets | <u>2,880,739</u> | <u>1,601,257</u> | <u>4,481,996</u> | <u>184,063</u> |
| Non-current assets | | | | |
| Deferred charges | - | 34,414 | 34,414 | - |
| Notes receivable | 79,361 | - | 79,361 | - |
| | <u>79,361</u> | <u>34,414</u> | <u>113,775</u> | <u>-</u> |
| Capital assets | | | | |
| Land, non-depreciable improvements, and construction in progress | 852,324 | 5,231,220 | 6,083,544 | 6,082 |
| Other capital assets, net of depreciation | 10,162,147 | 15,892,091 | 26,054,238 | 59,111 |
| Total capital assets | <u>11,014,471</u> | <u>21,123,311</u> | <u>32,137,782</u> | <u>65,193</u> |
| Total non-current assets | <u>11,093,832</u> | <u>21,157,725</u> | <u>32,251,557</u> | <u>65,193</u> |
| Total assets | <u>13,974,571</u> | <u>22,758,982</u> | <u>36,733,553</u> | <u>249,256</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows - pensions | 399,027 | 223,900 | 622,927 | - |
| Deferred outflows - OPEB | 1,739 | 975 | 2,714 | - |
| Deferred outflows - LEO pension | 172,816 | - | 172,816 | - |
| Total deferred outflows of resources | <u>573,582</u> | <u>224,875</u> | <u>798,457</u> | <u>-</u> |
| Total assets and deferred outflows of resources | <u>\$ 14,548,153</u> | <u>\$ 22,983,857</u> | <u>\$ 37,532,010</u> | <u>\$ 249,256</u> |

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

CITY OF BESSEMER CITY, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2020

Exhibit A
Page 2 of 2

| | Primary Government | | | |
|--|----------------------------|-----------------------------|----------------------|----------------------------|
| | Governmental Activities | Business-type Activities | Total | Bessemer City ABC Board |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 140,207 | \$ 366,596 | \$ 506,803 | \$ 72,010 |
| Current portion of long-term liabilities | 348,631 | 391,007 | 739,638 | - |
| Payable from restricted assets | - | 188,940 | 188,940 | - |
| Total current liabilities | <u>488,838</u> | <u>946,543</u> | <u>1,435,381</u> | <u>72,010</u> |
| Long-term liabilities | | | | |
| Net pension liability | 609,470 | 341,983 | 951,453 | - |
| Net LEO pension liability | 508,959 | - | 508,959 | - |
| Net OPEB liability | 139,354 | 78,193 | 217,547 | - |
| Compensated absences | 164,333 | 75,282 | 239,615 | - |
| Long-term debt | 1,767,792 | 5,560,416 | 7,328,208 | - |
| Total long-term liabilities | <u>3,189,908</u> | <u>6,055,874</u> | <u>9,245,782</u> | <u>-</u> |
| Total liabilities | <u>3,678,746</u> | <u>7,002,417</u> | <u>10,681,163</u> | <u>72,010</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows - pensions | 754 | 423 | 1,177 | - |
| Deferred inflows - LEO pension | 26,839 | - | 26,839 | - |
| OPEB deferrals | 7,105 | 3,987 | 11,092 | - |
| Total deferred inflows of resources | <u>34,698</u> | <u>4,410</u> | <u>39,108</u> | <u>-</u> |
| Net Position | | | | |
| Net investment in capital assets | 8,898,048 | 15,171,888 | 24,069,936 | 65,193 |
| Restricted for: | | | | |
| Streets | 247,563 | - | 247,563 | - |
| Cemetery perpetual care | 68,323 | - | 68,323 | - |
| Stabilization by State statute | 452,541 | - | 452,541 | - |
| Other purposes | - | - | - | 40,000 |
| Unrestricted | 1,168,234 | 805,142 | 1,973,376 | 72,053 |
| Total net position | <u>10,834,709</u> | <u>15,977,030</u> | <u>26,811,739</u> | <u>177,246</u> |
| Total liabilities, deferred inflows and net position | <u>\$ 14,548,153</u> | <u>\$ 22,983,857</u> | <u>\$ 37,532,010</u> | <u>\$ 249,256</u> |

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

CITY OF BESSEMER CITY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Exhibit B

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | Bessemer City ABC Board |
|--|----------------------|-------------------------|--|--|---|-----------------------------|----------------------|----------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total | |
| Primary government | | | | | | | | |
| Governmental activities | | | | | | | | |
| General government | \$ 563,764 | \$ - | \$ - | \$ - | \$ (563,764) | \$ - | \$ (563,764) | \$ - |
| Public safety | 2,074,345 | 5,371 | 136,784 | - | (1,932,190) | - | (1,932,190) | - |
| Public works and transportation | 1,258,424 | 458,260 | 164,303 | - | (635,861) | - | (635,861) | - |
| Cultural and recreational | 883,590 | 102,607 | - | 117,321 | (663,662) | - | (663,662) | - |
| Economic development | 186,574 | - | - | - | (186,574) | - | (186,574) | - |
| Interest on long-term debt | 46,827 | - | - | - | (46,827) | - | (46,827) | - |
| Total governmental activities | <u>5,013,524</u> | <u>566,238</u> | <u>301,087</u> | <u>117,321</u> | <u>(4,028,878)</u> | <u>-</u> | <u>(4,028,878)</u> | <u>-</u> |
| Business-type activities | | | | | | | | |
| Water and wastewater | 4,767,954 | 4,967,096 | - | - | - | 199,142 | 199,142 | - |
| Natural gas | 1,392,045 | 1,177,351 | - | - | - | (214,694) | (214,694) | - |
| Storm water | 237,609 | 98,372 | - | - | - | (139,237) | (139,237) | - |
| Total business-type activities | <u>6,397,608</u> | <u>6,242,819</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(154,789)</u> | <u>(154,789)</u> | <u>-</u> |
| Total primary government | <u>\$ 11,411,132</u> | <u>\$ 6,809,057</u> | <u>\$ 301,087</u> | <u>\$ 117,321</u> | <u>(4,028,878)</u> | <u>(154,789)</u> | <u>(4,183,667)</u> | <u>-</u> |
| Component units | | | | | | | | |
| Bessemer City ABC Board | \$ 734,070 | \$ 772,662 | \$ - | \$ - | - | - | - | 38,592 |
| Total component units | <u>\$ 734,070</u> | <u>\$ 772,662</u> | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>38,592</u> |
| General revenues | | | | | | | | |
| Taxes | | | | | | | | |
| Property taxes, levied for general purposes | | | | | 2,087,074 | - | 2,087,074 | - |
| Other taxes and licenses | | | | | 48 | - | 48 | - |
| Grants and contributions not restricted to specific programs | | | | | 1,172,261 | 1,930,930 | 3,103,191 | - |
| Unrestricted investment earnings | | | | | 28,945 | 1,675 | 30,620 | 32 |
| Miscellaneous | | | | | 219,223 | (44,322) | 174,901 | - |
| Transfers | | | | | 96,717 | (96,717) | - | (22,000) |
| Total general revenues and transfers | | | | | <u>3,604,268</u> | <u>1,791,566</u> | <u>5,395,834</u> | <u>(21,968)</u> |
| Change in net position | | | | | (424,610) | 1,636,777 | 1,212,167 | 16,624 |
| Net position, beginning | | | | | 11,259,319 | 14,340,253 | 25,599,572 | 160,622 |
| Net position, end of year | | | | | <u>\$ 10,834,709</u> | <u>\$ 15,977,030</u> | <u>\$ 26,811,739</u> | <u>\$ 177,246</u> |

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

CITY OF BESSEMER CITY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

Exhibit C

| | Major Fund General Fund | Total Non-Major Funds | Total Governmental Funds |
|--|----------------------------|--------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,729,715 | \$ 13,577 | \$ 1,743,292 |
| Restricted cash | 247,563 | 68,323 | 315,886 |
| Receivables, net | | | - |
| Taxes | 221,765 | - | 221,765 |
| Accounts receivable - net | 246,170 | - | 246,170 |
| Due from other governments | 353,626 | - | 353,626 |
| Notes receivable | - | 79,361 | 79,361 |
| Total assets | <u>\$ 2,798,839</u> | <u>\$ 161,261</u> | <u>\$ 2,960,100</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Accounts payable and accrued liabilities | \$ 139,492 | \$ 715 | \$ 140,207 |
| Deposits | - | - | - |
| Total liabilities | <u>139,492</u> | <u>715</u> | <u>140,207</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property taxes receivable | 221,765 | - | 221,765 |
| Other receivables | 147,255 | - | 147,255 |
| Total deferred inflows of resources | <u>369,020</u> | <u>-</u> | <u>369,020</u> |
| Fund balances | | | |
| Nonspendable | | | |
| Perpetual maintenance | - | 68,323 | 68,323 |
| Restricted | | | |
| Stabilization by State Statute | 452,541 | - | 452,541 |
| Streets - Powell Bill | 247,563 | - | 247,563 |
| Assigned | | | |
| Subsequent year's expenditures | - | - | - |
| Transportation/sidewalks | - | (95,198) | (95,198) |
| Economic development | - | 79,361 | 79,361 |
| Recreation | - | 108,060 | 108,060 |
| Unassigned | 1,590,223 | - | 1,590,223 |
| Total fund balances | <u>2,290,327</u> | <u>160,546</u> | <u>2,450,873</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 2,798,839</u> | <u>\$ 161,261</u> | <u>\$ 2,960,100</u> |

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

| | | |
|---|----------------|----------------------|
| Total Fund balance - governmental funds | | \$ 2,450,873 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | | |
| Gross capital assets at historical cost | | 17,577,328 |
| Accumulated depreciation | | (6,562,857) |
| Deferred outflows of resources related to pensions are not reported in the funds | | 399,027 |
| Deferred outflows of resources related to OPEB are not reported in the funds | | 1,739 |
| Deferred outflows of resources related to LEO pensions are not reported in the funds | | 172,816 |
| Earned revenues considered deferred inflows of resources in fund statements | | 369,020 |
| Long-term liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the governmental funds | | |
| Gross long-term debt | \$ (2,116,423) | |
| Compensated absences | (164,333) | |
| Net pension liability | (609,470) | |
| LEO pension liability | (508,959) | |
| OPEB liability | (139,354) | (3,538,539) |
| Deferred inflows of resources related to pensions are not reported in the funds | | (754) |
| Deferred inflows of resources related to LEO pensions are not reported in the funds | | (26,839) |
| Deferred inflows of resources related to OPEB are not reported in the funds | | (7,105) |
| Net position of governmental activities | | <u>\$ 10,834,709</u> |

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

*CITY OF BESSEMER CITY, NORTH CAROLINA**Exhibit D*
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

| | <u>Major Fund</u> | | <u>Total</u> |
|--------------------------------------|---------------------|------------------------|---------------------|
| | <u>General Fund</u> | <u>Total Non-Major</u> | <u>Governmental</u> |
| | | <u>Funds</u> | <u>Funds</u> |
| REVENUES | | | |
| Ad valorem taxes | \$ 2,028,582 | \$ - | \$ 2,028,582 |
| Other taxes and licenses | 48 | - | 48 |
| Unrestricted intergovernmental | 1,172,261 | - | 1,172,261 |
| Restricted intergovernmental | 301,087 | 117,321 | 418,408 |
| Permits and fees | 5,371 | - | 5,371 |
| Sales and services | 560,867 | - | 560,867 |
| Investment earnings | 28,907 | 38 | 28,945 |
| Miscellaneous | 345,802 | - | 345,802 |
| | <u>4,442,925</u> | <u>117,359</u> | <u>4,560,284</u> |
| Total revenues | | | |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 524,769 | - | 524,769 |
| Economic development | 181,917 | - | 181,917 |
| Public safety | 2,367,065 | - | 2,367,065 |
| Public works / transportation | 929,807 | 30,448 | 960,255 |
| Culture and recreation | 727,853 | 112,761 | 840,614 |
| Debt service: | | - | - |
| Principal | 275,493 | - | 275,493 |
| Interest and other charges | 46,827 | - | 46,827 |
| | <u>5,053,731</u> | <u>143,209</u> | <u>5,196,940</u> |
| Total expenditures | | | |
| Excess of revenues over (under) | | | |
| expenditures | <u>(610,806)</u> | <u>(25,850)</u> | <u>(636,656)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Loan proceeds | 590,000 | - | 590,000 |
| Transfers from other funds | 120,717 | - | 120,717 |
| Transfers to other funds | - | (24,000) | (24,000) |
| | <u>710,717</u> | <u>(24,000)</u> | <u>686,717</u> |
| Total other financing sources (uses) | | | |
| Net change in fund balances | 99,911 | (49,850) | 50,061 |
| Fund balances, beginning | 2,190,416 | 210,396 | 2,400,812 |
| Fund balances, ending | <u>\$ 2,290,327</u> | <u>\$ 160,546</u> | <u>\$ 2,450,873</u> |

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

CITY OF BESSEMER CITY, NORTH CAROLINA *Exhibit E*
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Amounts reported for governmental activities in the Statement of Activities are different because:

| | | |
|---|----|--------|
| Net changes in fund balances - total governmental funds | \$ | 50,061 |
|---|----|--------|

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

| | | | |
|--|------------------|--|-----------|
| Capital outlay expenditures capitalized | \$ 993,077 | | |
| Depreciation expense for governmental assets | <u>(853,851)</u> | | 139,226 |
| Loss on disposal of capital assets | | | (126,581) |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds

| | | |
|--|--|--------|
| Change in unavailable revenue for tax revenues | | 58,491 |
|--|--|--------|

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

| | | | |
|--------------------------------------|----------------|--|-----------|
| New long-term debt issue | (590,000) | | |
| Principal payments on long-term debt | <u>275,493</u> | | (314,507) |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

| | | | |
|-------------------------------|--------------|--|------------------|
| Compensated absences | (47,246) | | |
| Pension expense | (120,019) | | |
| Pension expense LEO | (68,187) | | |
| Other postemployment benefits | <u>4,150</u> | | <u>(231,302)</u> |

| | | |
|--|----|------------------|
| Total changes in net position of governmental activities | \$ | <u>(424,612)</u> |
|--|----|------------------|

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

CITY OF BESSEMER CITY, NORTH CAROLINA *Exhibit F*
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2020

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Positive (Negative)</u> |
|--------------------------------------|----------------------------|-------------------------|---------------------|--|
| Revenues | | | | |
| Ad valorem taxes | \$ 1,877,000 | \$ 1,877,000 | \$ 2,028,582 | \$ 151,582 |
| Other taxes and licenses | 500 | 500 | 48 | (452) |
| Unrestricted intergovernmental | 1,085,000 | 1,085,000 | 1,172,261 | 87,261 |
| Restricted intergovernmental | 382,500 | 421,419 | 301,087 | (120,332) |
| Permits and fees | 6,500 | 6,500 | 5,371 | (1,129) |
| Sales and services | 579,367 | 579,367 | 560,867 | (18,500) |
| Investment earnings | 40,000 | 40,000 | 28,907 | (11,093) |
| Miscellaneous | 113,600 | 143,093 | 345,802 | 202,709 |
| Total revenues | <u>4,084,467</u> | <u>4,152,879</u> | <u>4,442,925</u> | <u>290,046</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 444,711 | 537,531 | 524,769 | 12,762 |
| Economic development | 203,351 | 183,351 | 181,917 | 1,434 |
| Public safety | 1,559,918 | 2,374,278 | 2,367,065 | 7,213 |
| Public works / transportation | 872,571 | 1,000,571 | 929,807 | 70,764 |
| Culture and recreation | 718,625 | 748,518 | 727,853 | 20,665 |
| Debt service | | | | |
| Principal retirement | 330,706 | 280,706 | 275,493 | 5,213 |
| Interest and other charges | 47,235 | 47,235 | 46,827 | 408 |
| Total expenditures | <u>4,177,117</u> | <u>5,172,190</u> | <u>5,053,731</u> | <u>118,459</u> |
| Revenues over (under) expenditures | <u>(92,650)</u> | <u>(1,019,311)</u> | <u>(610,806)</u> | <u>408,505</u> |
| Other financing sources (uses) | | | | |
| Loan proceeds | - | 590,000 | 590,000 | - |
| Transfers from other funds | 24,000 | 24,000 | 120,717 | 96,717 |
| Transfers to other funds | - | (96,718) | - | 96,718 |
| Total other financing sources (uses) | <u>24,000</u> | <u>517,282</u> | <u>710,717</u> | <u>193,435</u> |
| Appropriated fund balance | <u>68,650</u> | <u>502,029</u> | <u>-</u> | <u>(502,029)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>99,911</u> | <u>\$ 99,911</u> |
| Fund balance - beginning | | | <u>2,190,416</u> | |
| Fund balance - end of year | | | <u>\$ 2,290,327</u> | |

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

CITY OF BESSEMER CITY, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

Exhibit G

| | Major Funds | | | |
|---|------------------------------|---------------------|---------------------|----------------------|
| | Water and Wastewater Fund | Natural Gas Fund | Storm Water Fund | Total |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 446,634 | \$ (254,332) | \$ (71,650) | \$ 120,652 |
| Restricted cash and cash equivalents | 133,400 | 55,540 | - | 188,940 |
| Accounts receivable - net, billed | 480,638 | 129,856 | 10,290 | 620,784 |
| Accounts receivable - net, unbilled | 395,299 | 51,930 | 8,211 | 455,440 |
| Accounts receivable - other | - | 39,614 | - | 39,614 |
| Inventories | 54,551 | 121,276 | - | 175,827 |
| Total current assets | <u>1,510,522</u> | <u>143,884</u> | <u>(53,149)</u> | <u>1,601,257</u> |
| Noncurrent assets | | | | |
| Deferred charges, net | 34,414 | - | - | 34,414 |
| Capital assets | | | | |
| Land and construction in progress | 5,165,004 | 61,682 | 4,534 | 5,231,220 |
| Other capital assets, net of depreciation | 14,927,804 | 752,914 | 211,373 | 15,892,091 |
| Total capital assets, net | <u>20,092,808</u> | <u>814,596</u> | <u>215,907</u> | <u>21,123,311</u> |
| Total noncurrent assets | <u>20,127,222</u> | <u>814,596</u> | <u>215,907</u> | <u>21,157,725</u> |
| Total assets | <u>21,637,744</u> | <u>958,480</u> | <u>162,758</u> | <u>22,758,982</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| OPEB deferrals | 750 | 225 | - | 975 |
| Pension deferrals | 172,189 | 51,711 | - | 223,900 |
| Total deferred outflows of resources | <u>172,939</u> | <u>51,936</u> | <u>-</u> | <u>224,875</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | <u>\$ 21,810,683</u> | <u>\$ 1,010,416</u> | <u>\$ 162,758</u> | <u>\$ 22,983,857</u> |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 336,720 | \$ 26,133 | \$ 3,743 | \$ 366,596 |
| Capital lease payable - current | - | - | 33,219 | 33,219 |
| Notes payable - current | 279,693 | 78,095 | - | 357,788 |
| Liabilities payable from restricted assets | 133,400 | 55,540 | - | 188,940 |
| Total current liabilities | <u>749,813</u> | <u>159,768</u> | <u>36,962</u> | <u>946,543</u> |
| Noncurrent liabilities | | | | |
| Compensated absences | 56,301 | 18,981 | - | 75,282 |
| Net pension liability | 263,000 | 78,983 | - | 341,983 |
| Net OPEB liability | 60,134 | 18,059 | - | 78,193 |
| Capital lease payable - noncurrent | - | - | 34,311 | 34,311 |
| Notes payable - noncurrent | 5,401,595 | 124,510 | - | 5,526,105 |
| Total noncurrent liabilities | <u>5,781,030</u> | <u>240,533</u> | <u>34,311</u> | <u>6,055,874</u> |
| Total liabilities | <u>6,530,843</u> | <u>400,301</u> | <u>71,273</u> | <u>7,002,417</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| OPEB deferrals | 3,066 | 921 | - | 3,987 |
| Pension deferrals | 325 | 98 | - | 423 |
| Total deferred inflows of resources | <u>3,391</u> | <u>1,019</u> | <u>-</u> | <u>4,410</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 14,411,520 | 611,991 | 148,377 | 15,171,888 |
| Restricted | - | - | - | - |
| Unrestricted | 864,929 | (2,895) | (56,892) | 805,142 |
| Total net position | <u>15,276,449</u> | <u>609,096</u> | <u>91,485</u> | <u>15,977,030</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION | <u>\$ 21,810,683</u> | <u>\$ 1,010,416</u> | <u>\$ 162,758</u> | <u>\$ 22,983,857</u> |

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

CITY OF BESSEMER CITY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

Exhibit H

| | Major Funds | | | |
|--|------------------------------|---------------------|---------------------|----------------------|
| | Water and Wastewater Fund | Natural Gas Fund | Storm Water Fund | Total |
| Operating Revenues | | | | |
| Charges for services | \$ 4,800,115 | 1,175,216 | \$ 98,372 | \$ 6,073,703 |
| Taps and extensions | 45,060 | 2,135 | - | 47,195 |
| Other operating revenues | 121,921 | - | - | 121,921 |
| Total operating revenues | <u>4,967,096</u> | <u>1,177,351</u> | <u>98,372</u> | <u>6,242,819</u> |
| Operating Expenses | | | | |
| Administration and finance | 617,000 | 300,000 | - | 917,000 |
| Water and waste treatment | 2,448,692 | - | - | 2,448,692 |
| Public work operations | 1,028,752 | - | - | 1,028,752 |
| Gas operations | - | 655,201 | - | 655,201 |
| Gas purchases | - | 360,198 | - | 360,198 |
| Storm water operations | - | - | 179,825 | 179,825 |
| Depreciation and amortization | 673,510 | 76,646 | 57,784 | 807,940 |
| Total operating expense | <u>4,767,954</u> | <u>1,392,045</u> | <u>237,609</u> | <u>6,397,608</u> |
| Operating income (loss) | <u>199,142</u> | <u>(214,694)</u> | <u>(139,237)</u> | <u>(154,789)</u> |
| Nonoperating revenues (expenses) | | | | |
| Gain (loss) on disposal of assets | - | 3,405 | - | 3,405 |
| Insurance proceeds | - | 5,327 | - | 5,327 |
| Investment earnings | 986 | 689 | - | 1,675 |
| Interest and other charges | (42,575) | (7,199) | (3,280) | (53,054) |
| Total nonoperating revenues (expenses) | <u>(41,589)</u> | <u>2,222</u> | <u>(3,280)</u> | <u>(42,647)</u> |
| Income (loss) before contributions and transfers | 157,553 | (212,472) | (142,517) | (197,436) |
| Grant proceeds | 1,930,930 | - | - | 1,930,930 |
| Transfers from (to) other funds | <u>-</u> | <u>(96,717)</u> | <u>-</u> | <u>(96,717)</u> |
| Change in net position | 2,088,483 | (309,189) | (142,517) | 1,636,777 |
| Net position, beginning | <u>13,187,966</u> | <u>918,285</u> | <u>234,002</u> | <u>14,340,253</u> |
| Net position, ending | <u>\$ 15,276,449</u> | <u>\$ 609,096</u> | <u>\$ 91,485</u> | <u>\$ 15,977,030</u> |

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

CITY OF BESSEMER CITY, NORTH CAROLINA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2020

Exhibit I
Page 1 of 2

| | Enterprise Funds | | | |
|--|------------------------------|------------------------------|---------------------|--------------------|
| | Water and Wastewater Fund | Natural Gas Electric Fund | Storm Water Fund | Total |
| Cash flows from operating activities: | | | | |
| Cash received from customers | \$ 4,744,367 | \$ 1,119,846 | \$ 97,791 | \$ 5,962,004 |
| Cash paid for goods and services | (3,184,454) | (991,329) | (179,825) | (4,355,608) |
| Cash paid to or on behalf of employees for services | (1,203,200) | (344,644) | - | (1,547,844) |
| Other operating revenues | 121,921 | - | - | 121,921 |
| Net cash provided (used) by operating activities | <u>478,634</u> | <u>(216,127)</u> | <u>(82,034)</u> | <u>180,473</u> |
| Cash flows from capital and related financing activities: | | | | |
| Acquisition and construction of capital assets | (3,933,508) | (74,257) | - | (4,007,765) |
| Proceeds from sale of capital assets | - | 3,405 | - | 3,405 |
| Proceeds from issuance of debt | - | - | - | - |
| Principal paid on bonds and equipment contracts | (248,993) | (86,299) | (32,161) | (367,453) |
| Interest paid on bonds and equipment contracts | (42,575) | (7,199) | (3,280) | (53,054) |
| Grant proceeds | 1,930,930 | - | - | 1,930,930 |
| Transfers in (out) | - | (96,717) | - | (96,717) |
| Insurance proceeds | - | 5,327 | - | 5,327 |
| Net cash provided (used) by capital and related financing activities | <u>(2,294,146)</u> | <u>(255,740)</u> | <u>(35,441)</u> | <u>(2,585,327)</u> |
| Cash flows from investing activities: | | | | |
| Interest earned on investments | <u>986</u> | <u>689</u> | <u>-</u> | <u>1,675</u> |
| Net increase (decrease) in cash and cash equivalents | (1,814,526) | (471,178) | (117,475) | (2,403,179) |
| Cash and cash equivalents at beginning of year | <u>2,394,560</u> | <u>272,386</u> | <u>45,825</u> | <u>2,712,771</u> |
| Cash and cash equivalents at end of year | <u>\$ 580,034</u> | <u>\$ (198,792)</u> | <u>\$ (71,650)</u> | <u>\$ 309,592</u> |

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

CITY OF BESSEMER CITY, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2020

Exhibit I
Page 2 of 2

| | Enterprise Funds | | | |
|---|------------------------------|------------------------------|---------------------|--------------|
| | Water and Wastewater Fund | Natural Gas Electric Fund | Storm Water Fund | Total |
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Operating income (loss) | \$ 199,142 | \$ (214,694) | \$ (139,237) | \$ (154,789) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 673,510 | 76,646 | 57,784 | 807,940 |
| Changes in current assets and liabilities: | | | | |
| (Increase) decrease in accounts receivable | (108,033) | (60,255) | (581) | (168,869) |
| (Increase) decrease in inventory | (239) | (49,237) | - | (49,476) |
| (Increase) decrease in deferred outflows of resources - OPEB | (750) | (225) | - | (975) |
| (Increase) decrease in deferred outflows of resources - pensions | 29,530 | (9,303) | - | 20,227 |
| Increase (decrease) in net pension liability | 19,756 | 27,845 | - | 47,601 |
| Increase (decrease) in accrued OPEB liability | (5,220) | 4,319 | - | (901) |
| Increase (decrease) in deferred inflows of resources - pensions | (1,550) | (296) | - | (1,846) |
| Increase (decrease) in deferred inflows of resources - OPEB | (2,440) | (237) | - | (2,677) |
| Increase (decrease) in accounts payable and accrued liabilities | (335,437) | (7,761) | - | (343,198) |
| Increase (decrease) in customer deposits | 7,225 | 2,750 | - | 9,975 |
| Increase (decrease) in accrued vacation pay | 3,140 | 14,321 | - | 17,461 |
| Total adjustments | 279,492 | (1,433) | 57,203 | 335,262 |
| Net cash provided (used) by operating activities | \$ 478,634 | \$ (216,127) | \$ (82,034) | \$ 180,473 |

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

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Bessemer City, North Carolina and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City of Bessemer City, North Carolina, (the "City") is a municipal corporation that is governed by an elected mayor and a six-member council. As required by generally accepted accounting principles, these financial statements present the City and its component unit, a legally separate entity for which the City is financially accountable. The discretely presented component unit presented below is reported in a separate column in the City's financial statements in order to emphasize that it is legally separate from the City.

City of Bessemer City ABC Board

The members of the ABC Board's governing board are appointed by the City. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the City. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices located at City of Bessemer City ABC Board, 208 W. Alabama Ave., Bessemer City, North Carolina 28016.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a specific function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a specific program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental* and *proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, sanitation services, and general governmental services.

The City reports the following non-major governmental funds:

Community Development Block Grant Fund. This fund is used to account for the revenues and expenditures of the City's Community Development Block Grant ("CDBG") program.

Cemetery Trust Fund (Permanent Fund). This fund is used to account for perpetual care of the municipal cemetery.

North Park Capital Project Fund. This fund is used to account for the construction of North Park.

Sidewalk Capital Project Fund. This fund is used to account for various sidewalk construction projects.

The City reports the following major enterprise funds:

Water and Wastewater Fund. This fund is used to account for the City's water and wastewater operations.

Natural Gas Fund. This fund is used to account for the City's natural gas operations.

The City reports the following non-major enterprise funds:

Water Sewer Capital Projects Fund. This fund is used to account for a water/sewer asset study.

Water Sewer Stinger Park Capital Projects Fund. This fund is used to account for a construction project for various pump/valve/equipment replacement at the water treatment plant, a new raw water intake on Arrowood Reservoir and cleaning existing residuals holding ponds at the water treatment plant. It also is used to account for construction of water lines to and sewer line replacements through the proposed Stinger Park.

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Public Works Capital Project Fund. This fund is used to account for the construction of a new public works facility.

Natural Gas Facility Capital Projects Fund. This fund is used to account for a construction project for a new natural gas facility.

Storm Water Fund. This fund is used to account for storm water fees, which are restricted for storm water expenditures.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and wastewater system and the natural gas system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the City, are recognized as revenue. Sales taxes are considered a shared revenue for the City of Bessemer City because the tax is levied by Gaston County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Cemetery Trust Fund, and the Enterprise Funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Governmental Funds' Capital Project Funds, and the Enterprise Funds' Capital Project Funds. The enterprise fund projects are consolidated with their respective operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Budget ordinances allow for the transfer of funds within the department, as long as expenditures do not exceed the appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Transfers up to \$7,500 may be transferred between departments by ordinance of the same fund with a report of such transfers made at the next regular council meeting. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted. The Cemetery Trust Permanent Fund is not required to be budgeted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the City and the ABC Board are made in board-designated official depositories and are secured as required by state law [G.S. 159-31]. The City and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

located in North Carolina. Also, the City and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The City's and the ABC Board's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT Term Portfolio is a bond fund, has no rating, and is measured at fair value. As of June 30, 2020, the Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are classified as restricted because they can be expended only for purposes outlined in G.S. 136-41.1 through 136-41.4.

City of Bessemer City Restricted Cash

| | |
|--------------------------------------|-------------------|
| Governmental Activities | |
| General Fund | |
| Streets | \$ 247,563 |
| Cemetery Trust Fund – Perpetual care | 68,323 |
| Total Governmental Activities | <u>315,886</u> |
| Business-type Activities | |
| Water and Sewer Fund | |
| Customer deposits | 133,400 |
| Natural Gas Fund | |
| Customer deposits | 55,540 |
| Total Business-type Activities | <u>188,940</u> |
| Total Restricted Cash | \$ <u>504,826</u> |

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. For property taxes, the allowance is estimated by analyzing the percentage of receivables that were written off in prior years. For other receivables, the allowance is based on an aging of accounts and those deemed to be uncollectible because of days past due.

6. Inventory and Prepaid Items

The inventories of the City are valued at cost (first-in, first-out), which approximates market. The inventory of the ABC Board is valued at the lower of cost (FIFO) or market. The inventories of the City's enterprise funds and those of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$20,000; furniture and equipment, \$5,000; vehicles, \$5,000; and computer software, \$5,000. Donated capital assets received prior to June 15, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|-------------------------|-----------------------------------|
| Infrastructure | 20 – 50 |
| Buildings | 50 |
| Improvements | 10 – 50 |
| Vehicles | 5 |
| Furniture and equipment | 5 – 10 |
| Computer software | 5 |

Property, plant and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|----------------------------|-----------------------------------|
| Buildings and improvements | 20 - 50 |
| Furniture and equipment | 10 |

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criterion; pension deferrals and OPEB deferrals for the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has two items that meet the criterion for this category; OPEB deferrals and pension deferrals.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received or not, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of the City provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. All excess vacation hours over thirty days will be converted to the employee's sick leave account at the end of the calendar year. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. The vacation policy of the ABC Board provides for the accumulation of up to three weeks earned vacation leave with such leave being fully vested when earned.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. The ABC Board's sick leave policy provides for up to ten days of earned sick leave. Since neither the City nor the ABC Board has any obligation for accumulated sick leave until it is taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are externally imposed either by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balance

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Non-spendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Perpetual maintenance – Cemetery resources that are required to be retained in perpetuity for maintenance of the City of Bessemer City Cemetery.

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Restricted Fund Balance -- This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute -- North Carolina G.S.159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS) is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included in RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

Restricted for Streets -- Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Economic Development -- portion of fund balance that is restricted for economic development {G.S. Chapter 159, Article 3, Part 2}.

Committed Fund Balance -- portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the City of Bessemer City's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance -- portion of fund balance that City of Bessemer City intends to use for specific purposes.

Assigned for Economic Development -- portion of fund balance that has been budgeted by the Board for the Community Development Block Grant project.

Assigned for Recreation -- portion of fund balance that has been budgeted by the Board for the North Park project.

Subsequent year's expenditures -- portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Unassigned fund balance – portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The City of Bessemer City does not have a revenue spending policy that provides guidance for programs with multiple revenue sources. However, the Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

12. Defined Benefit Cost Sharing Plans

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 Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Bessemer City's employer contributions are recognized when due and the City of Bessemer City has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. *Deficit in Fund Balance or Net Position of Individual Funds*

None reported.

B. *Excess of Expenditures over Appropriations*

None reported.

C. *Noncompliance with North Carolina General Statutes*

None reported.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. *Assets*

1. Deposits

All deposits of the City and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the ABC Board, these deposits are considered to be held by the City's and the ABC Board's agents in the entities' names. The amount of the pledged collateral is based on an

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS - Continued

approved averaging method for noninterest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City and the ABC Board under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S.159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2020, the City's deposits had a carrying amount of \$620,266 and a bank balance of \$1,100,327. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the City's petty cash fund totaled \$900. At June 30, 2020, the carrying amount of deposits for the ABC Board was \$89,448 and the bank balance was \$101,103. All of the bank balance was covered by federal depository insurance. At June 30, 2020, the ABC Board's petty cash fund totaled \$1,400.

2. Investments

At June 30, 2020, the City's investment balances were as follows:

| <u>Investments by Type</u> | <u>Valuation Measurement Method</u> | <u>Book Value at 6/30/20</u> | <u>Maturity</u> | <u>Rating</u> |
|---|---|----------------------------------|-----------------|---------------|
| NC Capital Management Trust – Government Portfolio | Fair Value Level 1 | \$ 677,765 | N/A | AAAm |
| NC Capital Management Trust – Term Portfolio | Fair Value Level 1 | <u>1,069,839</u> | 0.15 years | Unrated |
| Total | | \$ <u>1,747,604</u> | | |

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk. The City has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's internal investment policy limits the City's investment portfolio to maturities of less than 12 months.

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS – Continued

Credit Risk. The City has no formal policy regarding interest rate risk, but has internal management procedures that limit the City's investments to the provisions of G.S. 159-30 and restrict the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2020. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020, are net of the following allowances for doubtful accounts:

| | |
|---|-------------------|
| General Fund: | |
| Taxes receivable | \$ 114,012 |
| Accounts receivable | 4,450 |
| Total General Fund | <u>118,462</u> |
| Enterprise Funds: | |
| Water and wastewater fund-accounts receivable | 49,300 |
| Natural gas fund-accounts receivable | 6,800 |
| Storm water fund-accounts receivable | 800 |
| Total Enterprise Funds | <u>56,900</u> |
| Total | <u>\$ 175,362</u> |

4. Notes Receivable

The City has notes receivable of \$79,361 for improvements to real property and for the sale of real property under the CDBG program. The notes are not currently being paid by the property owners, but they will have to be paid when certain events occur such as the death of the property owner or sale of the property.

5. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2020, was as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|--|-------------------------------|------------------|------------------|----------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 589,295 | \$ - | \$ 11,500 | \$ 577,795 |
| Construction in progress | 161,768 | 112,761 | - | 274,529 |
| Total capital assets not being depreciated | <u>751,063</u> | <u>112,761</u> | <u>11,500</u> | <u>852,324</u> |

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS -- Continued

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|---|-------------------------------|------------------|------------------|----------------------------|
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$ 7,691,948 | \$ 3,500 | \$ 39,793 | \$ 7,655,655 |
| Infrastructure | 4,330,854 | - | - | 4,330,854 |
| Furniture and equipment | 1,135,989 | 244,412 | 10,880 | 1,369,521 |
| Vehicles | 3,315,260 | 632,404 | 578,690 | 3,368,974 |
| Total capital assets being depreciated | 16,474,051 | 880,316 | 629,363 | 16,725,004 |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 2,520,246 | 279,072 | 2,180 | 2,797,138 |
| Infrastructure | 467,257 | 93,920 | - | 561,177 |
| Furniture and equipment | 688,911 | 112,237 | 7,746 | 793,402 |
| Vehicles | 2,546,875 | 368,622 | 504,357 | 2,411,140 |
| Total accumulated depreciation | 6,223,289 | \$ 853,851 | \$ 514,283 | 6,562,857 |
| Total capital assets being depreciated -- net | 10,250,762 | | | 10,162,147 |
| Governmental Activities | | | | |
| Capital assets - net | \$ 11,001,825 | | | \$ 11,014,471 |

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|----------------------------|------------|
| General government | \$ 86,239 |
| Public safety | 304,825 |
| Public works | 309,094 |
| Cultural and recreation | 153,693 |
| Total depreciation expense | \$ 853,851 |

Capital asset activity for Business-type activities for the year ended June 30, 2020, was as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|--|-------------------------------|------------------|------------------|----------------------------|
| Business-Type Activities | | | | |
| Water and Wastewater Fund | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 424,352 | \$ 43,584 | \$ - | \$ 467,936 |
| Construction in progress | 1,097,776 | 3,599,292 | - | 4,697,068 |
| Total capital assets not being depreciated | 1,522,128 | 3,642,876 | - | 5,165,004 |
| Capital assets being depreciated | | | | |
| Plant and distribution systems | 24,304,124 | 42,026 | - | 24,346,150 |
| Furniture and maintenance equipment | 660,508 | 154,097 | - | 814,605 |
| Vehicles and motorized equipment | 743,752 | 94,510 | - | 838,262 |
| Total capital assets being depreciated | 25,708,384 | 290,633 | - | 25,999,017 |

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS – Continued

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|------------|-----------|--------------------|
| Less accumulated depreciation | | | | |
| Plant and distribution systems | \$ 9,570,938 | \$ 532,480 | \$ - | \$10,103,418 |
| Furniture and maintenance equipment | 366,835 | 62,597 | - | 429,432 |
| Vehicles and motorized equipment | 472,444 | 65,919 | - | 538,363 |
| Total accumulated depreciation | 10,410,217 | 660,996 | - | 11,071,213 |
| Total capital assets being depreciated – net | 15,298,167 | | | 14,927,804 |
| Water and Wastewater Fund | | | | |
| Capital Assets - Net | 16,820,295 | | | 20,092,808 |
| Storm Water Fund | | | | |
| Capital assets not being depreciated | | | | |
| Land | 4,534 | - | - | 4,534 |
| Total capital assets not being depreciated | 4,534 | - | - | 4,534 |
| Capital assets being depreciated | | | | |
| Distribution system | 313,308 | - | - | 313,308 |
| Vehicles and motorized equipment | 220,427 | - | - | 220,427 |
| Total capital assets being depreciated | 533,735 | - | - | 533,735 |
| Less accumulated depreciation | | | | |
| Distribution system | 105,812 | 13,699 | - | 119,511 |
| Vehicles and motorized equipment | 158,766 | 44,085 | - | 202,851 |
| Total accumulated depreciation | 264,578 | 57,784 | - | 322,362 |
| Total capital assets being depreciated – net | 269,157 | | | 211,373 |
| Storm Water Fund Capital Assets - Net | 273,691 | | | 215,907 |
| Natural Gas Fund | | | | |
| Capital assets not being depreciated | | | | |
| Land | 61,682 | - | - | 61,682 |
| Total capital assets not being depreciated | 61,682 | - | - | 61,682 |
| Capital assets being depreciated | | | | |
| Plant and distribution systems | 2,122,882 | 3,500 | - | 2,126,382 |
| Furniture and maintenance equipment | 448,863 | 70,756 | - | 519,619 |
| Vehicles and motorized equipment | 229,592 | - | 16,900 | 212,692 |
| Software | 1,531 | - | - | 1,531 |
| Total capital assets being depreciated | 2,802,868 | 74,256 | 16,900 | 2,860,224 |

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS – Continued

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|-----------|-----------|--------------------|
| Less accumulated depreciation | | | | |
| Plant and distribution systems | 1,518,428 | 23,697 | - | 1,542,125 |
| Furniture and maintenance equipment | 380,936 | 26,287 | - | 407,223 |
| Vehicles and motorized equipment | 148,200 | 26,662 | 16,900 | 157,962 |
| Total accumulated depreciation | 2,047,564 | \$ 76,646 | \$ 16,900 | 2,107,310 |
| Total capital assets being depreciated – net | 755,304 | | | 752,914 |
| Natural Gas Fund Capital Assets - Net | 816,986 | | | 814,596 |
| Business-Type Activities Capital Assets, Net | \$ 17,910,972 | | | \$ 21,123,311 |

Discretely Presented Component Unit

Capital asset activity for the ABC Board for the year ended June 30, 2020, was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|-----------|-----------|--------------------|
| ABC Board | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 6,082 | \$ - | \$ - | \$ 6,082 |
| Capital assets being depreciated | | | | |
| Land improvements | 8,565 | 700 | - | 9,265 |
| Buildings | 162,958 | - | - | 162,958 |
| Equipment | 88,670 | 8,618 | 60 | 97,228 |
| Total capital assets being depreciated | 260,193 | 9,318 | 60 | 269,451 |
| Less accumulated depreciation | | | | |
| Land improvements | 3,601 | 289 | - | 3,890 |
| Buildings | 143,302 | 2,380 | - | 145,682 |
| Equipment | 54,393 | 6,435 | 60 | 60,768 |
| Total accumulated depreciation | 201,296 | \$ 9,104 | \$ 60 | 210,340 |
| Total capital assets being depreciated – net | 58,897 | | | 59,111 |
| ABC Board Capital Assets - Net | \$ 61,979 | | | \$ 65,193 |

6. Deferred Charges

On June 12, 2000, the City reached an agreement with the City of Gastonia to provide wastewater treatment. The City had surrendered a wastewater line located along Oates Road and a line then under construction and signed a twenty-year commitment to purchase wastewater treatment from the City of Gastonia. In exchange, the City of Gastonia reduced the rate at which it sells wastewater treatment to the City from 1.3 times the inside Gastonia rate to 1.0 times the inside rate. The remaining net book value of \$34,412 of the surrendered line which was installed in the year 1999-2000 is being amortized over twenty years and charged to wastewater treatment cost.

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS – Continued

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City and the ABC Board are participating employers in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454 or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS – Continued

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Bessemer City were \$257,344 for the year ended June 30, 2020.

Refunds of Contributions – City employees who have terminated service as a contributing member of LGERS may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2020, the City reported a liability of \$951,453 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019, utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019 (measurement date), the City's proportion was 0.03484%, which was an increase of 0.00089% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$443,343. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 162,913 | \$ - |
| Changes in assumptions | 155,071 | - |
| Net difference between projected and actual earnings on pension plan investments | 23,207 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 24,392 | 1,177 |
| City contributions subsequent to the measurement date | 257,344 | - |
| Total | \$ 622,927 | \$ 1,177 |

\$257,344 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS – Continued

pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|---------------------|------------|
| 2021 | \$ 175,706 |
| 2022 | 58,665 |
| 2023 | 98,713 |
| 2024 | 31,324 |
| 2025 | - |
| Thereafter | - |

Actuarial Assumptions. The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Salary increases | 3.50 to 8.10 percent, including inflation and productivity factor |
| Investment rate of return | 7.00 percent, net of pension plan investment expense, including inflation |

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies.

Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections 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 as of June 30, 2019 are summarized in the following table:

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS – Continued

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Fixed Income | 29.0% | 1.4% |
| Global Equity | 42.0% | 5.3% |
| Real Estate | 8.0% | 4.3% |
| Alternatives | 8.0% | 8.9% |
| Credit | 7.0% | 6.0% |
| Inflation Protection | 6.0% | 4.0% |
| Total | <u>100.0%</u> | |

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

| | <u>1% Decrease (6.00%)</u> | <u>Discount Rate (7.00%)</u> | <u>1% Increase (8.00%)</u> |
|---|------------------------------------|--------------------------------------|------------------------------------|
| City's proportionate share of the net pension liability (asset) | \$ <u>2,176,148</u> | \$ <u>951,453</u> | \$ <u>(66,516)</u> |

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Law Enforcement Officers Special Separation Allowance

(1) Plan Description

The City of Bessemer City administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS – Continued

to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or who have attained 55 years of age and have completed five or more years of creditable service.. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

| | |
|---|-----------|
| Retirees receiving benefits | - |
| Inactive members currently receiving benefits | - |
| Active plan members | 15 |
| Total | <u>15</u> |

(2) Summary of Significant Accounting Policies

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 73.

(3) Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018, actuarial evaluation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------|---|
| Inflation | 2.5 percent |
| Salary increases | 3.50 to 7.35 percent, including inflation and productivity factor |
| Discount rate | 3.26 percent |

The discount rate used to measure the total pension liability is the S&P Municipal Bond 20-year High Grade Rate Index as of December 31, 2018.

Mortality rates are based on the RP-2014 mortality tables projected to the valuation date using MP-2015.

(4) Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS – Continued

contributions made by the employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid no benefits and no benefits came due for the reporting period.

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

At June 30, 2020, the City reported a total pension liability of \$508,959. The total pension liability was measured as of December 31, 2019, based on a December 31, 2018, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the City recognized pension expense of \$69,187.

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 148,551 | \$ 11,419 |
| Changes in assumptions and other inputs | 24,265 | 15,420 |
| Benefit payments and administrative expenses subsequent to the measurement date | - | - |
| Total | \$ 172,816 | \$ 26,839 |

No amounts were reported as deferred outflows of resources related to pensions resulting from payments made or administrative expenses incurred subsequent to the measurements date. No benefits came due and no administrative expenses subsequent to the measurement date were incurred to be recognized as an adjustment of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|---------------------|-----------|
| 2021 | \$ 30,422 |
| 2022 | 30,422 |
| 2023 | 30,521 |
| 2024 | 32,055 |
| 2025 | 20,910 |
| Thereafter | 1,647 |

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.26 percent, as well as what the City's total pension liability would be if it were calculated using a discount

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS – Continued

rate that is one percentage point lower (2.26 percent) or one percentage point higher (4.26 percent) than the current rate:

| | 1% Decrease (2.26%) | Discount Rate (3.26%) | 1% Increase (4.26%) |
|-------------------------|---------------------------|-----------------------------|---------------------------|
| Total pension liability | \$ 560,023 | \$ 508,959 | \$ 462,659 |

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance**

| | 2020 |
|---|------------|
| Beginning balance | \$ 387,197 |
| Service cost | 23,671 |
| Interest on total pension liability | 14,094 |
| Change in benefit terms | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 65,860 |
| Changes of assumptions or other inputs | 18,137 |
| Benefit payments | - |
| Other changes | - |
| Ending balance of the total pension liability | \$ 508,959 |

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on the published tables and based on studies that cover a significant portion of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources Related to Pensions

Following is information related to the proportionate share and pension expense for all pension plans:

| | LGERS | LEOSSA | Total |
|---|------------|-----------|------------|
| Pension expense | \$ 443,343 | \$ 69,187 | \$ 512,530 |
| Pension liability | 951,453 | 508,959 | 1,460,412 |
| Proportionate share of net pension liability | 0.03484% | n/a | |
| Deferred Outflows of Resources | | | |
| Difference between expected and actual experience | 162,913 | 148,551 | 311,464 |

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS – Continued

| | <u>LGERS</u> | <u>LEOSSA</u> | <u>Total</u> |
|--|--------------|---------------|--------------|
| Change of assumptions | \$ 155,071 | \$ 24,265 | \$ 179,336 |
| Net difference between projected and actual earnings on plan investments | 23,207 | - | 23,207 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 24,392 | - | 24,392 |
| Benefit payments and administrative costs paid subsequent to the measurement date | 257,344 | - | 257,344 |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual experience | - | 11,419 | 11,419 |
| Changes in assumptions | - | 15,420 | 15,420 |
| Net difference between projected and actual earnings on plan investments | - | - | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 1,177 | - | 1,177 |

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers of the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for law enforcement officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, law enforcement officers may make voluntary contributions to the plan.

d. Supplemental Retirement Income Plan for City Employees (non-law enforcement employees)

Plan description: The City contributes to the Supplemental Retirement Income Plan ("Plan"), a defined contribution plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to all active full-time employees of the City that are non-law enforcement officers. Article G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS – Continued

Funding policy: The City voluntarily contributes each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, employees can make voluntary contributions to the plan.

The City made \$134,419 in contributions in total for the reporting year for law enforcement officers and other city employees.

e. Other Postemployment Benefit

Healthcare Benefits

Plan Description. Under the terms of a City resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The plan provides postemployment healthcare benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System.) Eligible employees are those who a) reach age 60 and complete 25 years of creditable service, with the last 20 years of continuous service being with the City of Bessemer City and were hired before July 1, 2013; or b) complete 30 years of creditable service at any age under the NC Local Government System, with the last 20 years of continuous service being with the City of Bessemer City and were hired before July 1, 2013. Coverage under this plan terminates when the retiree becomes eligible for any other health coverage plan including, but not limited to, Medicare and/or Medicaid as a result of disability or age. Coverage under this plan shall also cease when a retired participant accepts employment with an employer that provides paid medical benefits to its employees. The City pays the full cost of coverage for these benefits through private insurers. The City Council may, in its sole discretion, terminate, suspend, or amend this plan at any time and from time to time, in whole or in part, and this plan shall not constitute or vest in any employee any right or entitlement benefits. The participating retiree may not assign or in any way transfer this benefit. A separate report was not issued for the plan.

Funding Policy. The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a City resolution that can be amended by City Council. The City has chosen to fund the healthcare benefits on a pay as you go basis. The City made no contributions in the fiscal year 2020.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Membership in the HCB Plan consisted of the following at June 30, 2019, the date of the last actuarial valuation:

| | <u>General Employees</u> | <u>Law Enforcement Officers</u> |
|---|------------------------------|---|
| Retirees and dependents receiving benefits | - | - |
| Terminating plan members entitled to but not yet receiving benefits | - | - |
| Active plan members | 19 | 15 |
| Total | <u>19</u> | <u>15</u> |

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS – Continued

Total OPEB Liability

The City's total OPEB liability of \$217,547 was measured as of June 30, 2019, and was determined by an actuarial evaluation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

| | |
|---|---|
| Inflation | 2.50% |
| Salary increases , including wage inflation | |
| General Employees | 3.50% -7.75% |
| Law Enforcement Employees | 3.50% -7.35% |
| Discount Rate | 3.50% |
| Healthcare Cost Trends | 7.00% for 2019 decreasing to an ultimate rate of 4.50 % by 2026 |

The discount rate is based on the June average of the Bond Buyer 20-year General Obligation Municipal Bond Index published weekly by the Bond Buyer, and the discount rate used to measure total OPEB liability is the Municipal Bond Index Rate as of the measurement date.

Changes in Total OPEB Liability

| | Total OPEB Liability |
|--|-------------------------|
| Balance at July 1, 2019 | \$ 216,396 |
| Changes for the year | |
| Service cost | 8,621 |
| Interest | 8,418 |
| Changes in benefit terms | - |
| Differences between expected and actual experience | (18,990) |
| Changes in assumptions or other inputs | 3,102 |
| Benefit payments | - |
| Net changes | 1,151 |
| Balance at June 30, 2020 | \$ 217,547 |

Changes in assumptions and other input reflect a change in the discount rate from 3.89% to 3.50%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using the Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS Board. The remaining actuarial assumptions used in the June 30, 2018, valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS – Continued

Sensitivity of the City's total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50 percent) or one percentage point higher (4.50 percent) than the current rate:

| | 1% Decrease (2.50%) | Discount Rate (3.50%) | 1% Increase (4.50%) |
|----------------------|---------------------------|-----------------------------|---------------------------|
| Total OPEB liability | \$ 242,059 | \$ 217,547 | \$ 195,941 |

Sensitivity of the City's total OPEB liability to changes in the healthcare costs trend rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current healthcare trend cost rates:

| | (Medical – 5.5%, Prescription – 6.25%, Admin Expenses – 2.00%) | (Medical – 6.5%, Prescription – 7.25%, Admin Expenses – 3.00%) | (Medical – 7.5%, Prescription – 8.25%, Admin Expenses – 4.00%) |
|----------------------|--|--|--|
| Total OPEB liability | \$ 190,081 | \$ 217,547 | \$ 250,656 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the City recognized OPEB expense of \$11,812. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ - | \$ - |
| Changes in assumptions | 2,714 | 11,092 |
| Benefit payments and administrative costs made subsequent to the measurement date | - | - |
| Total | \$ 2,714 | \$ 11,092 |

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

| Year ended June 30: | |
|---------------------|------------|
| 2021 | \$ (5,227) |
| 2022 | (5,227) |
| 2023 | (5,227) |
| 2024 | (4,480) |
| 2025 | (2,778) |
| Thereafter | (3,954) |

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS – Continued

The ABC Board has not elected to provide other postemployment benefits to employees.

f. Other Employment Benefits

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

The City has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

| Source | Amounts |
|---|-------------------|
| Contributions to pension plan in current fiscal year | \$ 257,344 |
| Differences between expected and actual experience | 311,464 |
| Changes of assumptions | 182,050 |
| Net difference between projected and actual | 23,207 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 24,392 |
| | <u>\$ 798,457</u> |

Deferred inflows of resources at year-end is comprised of the following:

| | Statement of Net Position | General Fund Balance Sheet |
|---|------------------------------|-------------------------------|
| Taxes receivable, net (General fund) | \$ - | \$ 221,765 |
| Miscellaneous receivables (General fund) | - | 147,255 |
| Changes in assumptions | 26,512 | - |
| Differences between expected and actual experience | 11,419 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 1,177 | - |
| Total | <u>\$ 39,108</u> | <u>\$ 369,020</u> |

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS – Continued

4. Commitments

The City entered into an agreement on June 12, 2000 with the City of Gastonia to purchase wastewater treatment from the City of Gastonia for a period of twenty years from the date that wastewater is first treated by the City of Gastonia. As part of this agreement, the City agreed to give to the City of Gastonia sewer lines with a value of \$500,000. In exchange for the \$500,000 investment made by the City, the City receives a per gallon rate for treatment equal to that paid by users inside the City of Gastonia. Currently, the City is treating half and purchasing the other half.

The City entered into an agreement on April 21, 2011, with the City of Kings Mountain to purchase potable water for a period of ten years. The rate per gallon will vary based upon average daily usage per month with the highest rate to be \$2.83 per 1,000 gallons if the average daily usage per month is below 500,000 gallons per day and \$1.89 if the gallons consumed equals or exceeds 500,000 gallons per day.

After one year the rate may be adjusted and will be the same rate the City of Kings Mountain charges to its other municipal wholesale customers. The City plans to only purchase water in emergency situations.

5. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$3 million per occurrence, property coverage up to the total insured values of the property policy, and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance and excess stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The City does not carry flood insurance because the City and its major properties are not in a flood plain as mapped by the State of North Carolina.

The City of Bessemer City ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ABC Board has insurance coverage for property, general liability, auto liability, and employee health coverage. The ABC Board also has liquor legal liability coverage.

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS – Continued

There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000 for employee dishonesty or forgery and \$5,000 for theft.

In accordance with G.S. 18B-700(i), each ABC Board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000, secured by a corporate surety.

6. Long-Term Obligations

a. Capital Lease

The City has entered into an agreement to lease certain equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

The lease agreement was executed on October 15, 2014, to lease a new street sweeper and requires seven annual payments of \$35,440. Title passes to the City at the end of the lease term.

The following is an analysis of the asset recorded under capital lease at June 30, 2020:

| <u>Class of Property</u> | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> |
|----------------------------------|-------------|-------------------------------------|---------------------------|
| Vehicles and motorized equipment | \$ 220,427 | \$ 202,851 | \$ 17,576 |

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2020, were as follows:

| <u>Year ended June 30:</u> | |
|---|-----------|
| 2021 | \$ 35,440 |
| 2022 | 35,441 |
| Total minimum lease payments | 70,881 |
| Less: amount representing interest | 3,351 |
| Present value of minimum lease payments | \$ 67,530 |

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS – Continued

b. Installment Purchases

| | Serviced by | |
|---|----------------------------|-----------------------------|
| | Governmental Activities | Business-Type Activities |
| Installment financing agreement to finance a portion of a water project; payable in annual installments of \$2,171 beginning May 1, 2012, at 0% interest. | \$ - | \$ 21,713 |
| Installment financing contract entered into in 2015 with a bank to finance various streets and sidewalks projects; payable in semi-annual installments of \$50,407 through 2030, including interest at 3.21%. | 819,865 | - |
| Installment financing contract with a bank entered into in 2016 to finance a fire truck; payable in semi-annual installments of \$44,371 through 2022, including interest at 1.97%, secured by the fire truck. | 538,401 | - |
| Installment financing contract with a bank entered into in 2017 to finance vehicles and software; payable in semi-annual installments of \$43,887 through 2025, including interest at 2.06%, secured by vehicles and software. | 57,034 | 114,086 |
| Clean Water State Revolving Fund loan and grant through the N.C. Department of Environment and Natural Resources. The loan is non-interest bearing, payable in annual installments of \$76,351 through 2037. | - | 1,297,975 |
| Drinking Water State Revolving Fund loan within the Federal Water Infrastructure Fund, processed through the N.C. Department of Environmental Quality; payable in variable semi-annual installments at 1.84% interest through May 2038. | - | 1,582,997 |
| Installment financing contract with a bank entered into in 2019 to finance equipment; payable in quarterly installments of \$28,723 through May 2022, including interest at 2.99%. | 111,123 | 111,123 |
| Installment financing contract with a bank entered into in 2018 to finance a building; payable in semi-annual installments of \$45,000 through June 2024, in addition to interest at 3.14%. | - | 180,000 |
| Financing contract with a bank entered into in 2019 to finance a fire engine; payable in annual installments of \$127,069 through July 2024, including interest at 2.52%. | 590,000 | - |

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS – Continued

| | Serviced by | |
|---|------------------------------------|-------------------------------------|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
| Financing contract with a bank entered into in 2018 to finance a Public Works building; original terms specified a single payment due September 2020 with interest at 2.71%. In July 2019, the loan was transferred to and refinanced by the U.S. Department of Agriculture Office of Rural Development under a Rural Utility Service loan. \$732,000 of the loan bears interest at 3.125%, with annual installments of \$32,318 beginning 2021 through 2060; the remaining \$1,844,000 of the loan bears interest at 2.75%, with annual installments of \$76,600 beginning 2021 through 2060. Disclosures are made using the new loan terms. | \$ - | \$ 2,576,000 |
| Total Installment Purchases | \$ 2,116,423 | \$ 5,883,893 |

Annual debt service payments of the installment purchase contracts as of June 30, 2020, are as follows:

| Year Ending June 30 | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|------------------------|--------------------------------|-----------------|---------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2021 | \$ 348,631 | \$ 53,910 | \$ 357,788 | \$ 115,561 |
| 2022 | 357,695 | 44,854 | 361,819 | 107,410 |
| 2023 | 279,512 | 36,292 | 248,837 | 100,265 |
| 2024 | 286,696 | 29,091 | 249,902 | 96,168 |
| 2025 | 294,100 | 21,671 | 205,808 | 92,231 |
| 2026-2030 | 549,789 | 35,671 | 1,047,347 | 418,580 |
| 2031-2035 | - | - | 1,068,967 | 345,646 |
| 2036-2040 | - | - | 701,428 | 269,407 |
| Thereafter | - | - | 1,641,997 | 537,518 |
| Totals | \$ 2,116,423 | \$ 221,489 | \$ 5,883,893 | \$ 2,082,786 |

At June 30, 2020, the City of Bessemer City had a remaining legal debt margin of \$26,392,384. There were no authorized but unissued bonds at that date.

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS – Continued

c. Changes in Long-Term Liabilities

The following is a summary of changes in the City's long-term debt for the year ended June 30, 2020:

| | Balance July 1, 2019 | Increases | Decreases | Balance June 30, 2020 | Current Portion of Balance |
|---|-------------------------|-------------------|-------------------|--------------------------|----------------------------------|
| Governmental Activities: | | | | | |
| Installment purchases | \$ 1,801,916 | \$ 590,000 | \$ 275,493 | \$ 2,116,423 | \$ 348,631 |
| Compensated absences | 117,087 | 47,246 | - | 164,333 | - |
| Net pension obligation (LEO) | 387,197 | 121,762 | - | 508,959 | - |
| Net pension liability (LGERS) | 511,027 | 98,443 | - | 609,470 | - |
| Other postemployment benefits | 137,302 | 2,052 | - | 139,354 | - |
| Governmental Activities Long-Term Liabilities | <u>\$ 2,954,529</u> | <u>\$ 859,503</u> | <u>\$ 275,493</u> | <u>\$ 3,538,539</u> | <u>\$ 348,631</u> |
| Business-Type Activities: | | | | | |
| Water and Wastewater Fund | | | | | |
| Installment purchase | \$ 1,687,114 | \$ - | \$ 164,822 | \$ 1,522,292 | \$ 156,618 |
| Compensated absences | 53,161 | 3,140 | - | 56,301 | - |
| Net pension liability (LGERS) | 243,245 | 19,755 | - | 263,000 | - |
| Other postemployment benefits | 65,354 | - | 5,220 | 60,134 | - |
| Total Water and Wastewater Fund | <u>2,048,874</u> | <u>22,895</u> | <u>170,042</u> | <u>1,901,727</u> | <u>156,618</u> |
| Natural Gas Fund | | | | | |
| Installment purchases | 288,905 | - | 86,300 | 202,605 | 78,095 |
| Compensated absences | 4,660 | 14,321 | - | 18,981 | - |
| Net pension liability (LGERS) | 51,138 | 27,845 | - | 78,983 | - |
| Other postemployment benefits | 13,740 | 4,319 | - | 18,059 | - |
| Total Natural Gas Fund | <u>358,443</u> | <u>46,485</u> | <u>86,300</u> | <u>318,628</u> | <u>78,095</u> |
| Water Line Replacement Project | | | | | |
| Installment purchases | <u>1,667,167</u> | <u>-</u> | <u>84,170</u> | <u>1,582,997</u> | <u>87,944</u> |
| Public Works Building Fund | | | | | |
| Installment purchases | <u>2,576,000</u> | <u>-</u> | <u>-</u> | <u>2,576,000</u> | <u>35,131</u> |
| Storm Water Fund | | | | | |
| Capital lease | <u>99,691</u> | <u>-</u> | <u>32,161</u> | <u>67,530</u> | <u>33,219</u> |
| Business-Type Activities Long-Term Liabilities | <u>\$ 6,750,175</u> | <u>\$ 69,385</u> | <u>\$ 372,673</u> | <u>\$ 6,446,882</u> | <u>\$ 391,007</u> |

Compensated absences for governmental activities have typically been liquidated in the general fund.

C. Net Investment in Capital Assets

| | Governmental | Business-Type |
|---|---------------------|----------------------|
| Capital assets, net of accumulated depreciation | \$ 11,014,471 | \$ 21,123,311 |
| Less: Long-term debt | (2,116,423) | (5,951,423) |
| Net investment in capital assets | <u>\$ 8,898,048</u> | <u>\$ 15,171,888</u> |

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 3 - DETAILED NOTES ON ALL FUNDS – Continued

D. Interfund Balances and Activity

1. Transfers to/from other funds at June 30, 2020, consist of the following:

| | | |
|---------------------------------------|----|----------------|
| From Cemetery Fund to General Fund | \$ | 24,000 |
| From Natural Gas Fund to General Fund | | <u>96,717</u> |
| | \$ | <u>120,717</u> |

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

E. Fund Balance

The following schedule provides management and citizens with information on the portion of the General Fund's fund balance that is available for appropriation.

| | | |
|-----------------------------------|----|------------------|
| Total fund balance – General Fund | \$ | 2,290,327 |
| Less: | | |
| Stabilization by State Statute | | 452,541 |
| Streets – Powell Bill | | <u>247,563</u> |
| Remaining fund balance | \$ | <u>1,590,223</u> |

NOTE 4 - JOINTLY GOVERNED ORGANIZATIONS

North Carolina Municipal Power Agency Number 1

The City, in conjunction with eight counties and fifty other municipalities, established the Centralina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$1,314 to the Council during the year ended June 30, 2020.

NOTE 5 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

NOTE 6 - PRIOR PERIOD ADJUSTMENT

As noted on Schedule 12, the beginning fund balance for the Natural Gas Facility Capital Project Fund was understated by \$84,437. The correct balance as of June 30, 2019 was \$96,717. Note this amount was transferred to the General Fund as this fund was closed during the current year.

CITY OF BESSEMER CITY
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 7 - SUBSEQUENT EVENT

Subsequent events occurring after the statement of financial position date have been evaluated through November 16, 2020, which is the date the financial statements were available to be issued.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a “Public Health Emergency of International Concern,” which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. The outbreak presents uncertainty and risk with respect to the City and its ability to carry out its activities which could impact its financial results.

Required Supplementary Financial Data

This section contains additional information required by generally accepted accounting principles.

- Schedule of Changes in Total Pension Liability – Law Enforcement Officers’ Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll
- Schedule of Changes in Total OPEB Liability and Related Ratios
- Schedule of Proportionate Share of Net Pension Liability (Asset)
- Schedule of Pension Contributions

CITY OF BESSEMER CITY, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
June 30, 2020

Exhibit J

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------------|----------------|-------------------|
| Beginning balance | \$ 387,197 | \$ 241,982 | 224,818 | \$ 209,589 |
| Service cost | 23,671 | 19,851 | 13,048 | 14,508 |
| Interest on total pension liability | 14,094 | 7,647 | 8,678 | 7,482 |
| Changes of benefit terms | - | - | - | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 65,860 | 136,026 | (22,366) | - |
| Changes in assumptions or other inputs | 18,137 | (18,309) | 17,804 | (6,761) |
| Benefit payments | - | - | - | - |
| Other changes | - | - | - | - |
| Ending balance of the total pension liability | <u>\$ 508,959</u> | <u>\$ 387,197</u> | <u>241,982</u> | <u>\$ 224,818</u> |

CITY OF BESSEMER CITY, NORTH CAROLINA
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
June 30, 2020

Exhibit K

| | <u>2020</u> | | <u>2019</u> | | <u>2018</u> | | <u>2017</u> |
|--|-------------|----|-------------|----|-------------|----|-------------|
| Total pension liability | \$ 508,959 | \$ | 387,197 | \$ | 241,982 | \$ | 224,818 |
| Covered payroll | 771,915 | | 625,066 | | 540,589 | | 577,519 |
| Total pension liability as a percentage of covered payroll | 65.93% | | 61.94% | | 44.76% | | 38.93% |

Notes to the schedules:

The City of Bessemer City has no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB 73 to pay related benefits.

CITY OF BESSEMER CITY, NORTH CAROLINA *Exhibit L*
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

| | <u>2020</u> |
|---|--------------------------|
| Total OPEB liability - beginning | \$ <u>216,396</u> |
| Service cost | 8,621 |
| Interest | 8,418 |
| Changes in benefit terms | - |
| Differences between expected and actual experience | (18,990) |
| Changes in assumptions | 3,102 |
| Benefit payments | <u>-</u> |
| Net change in total OPEB liability | <u>1,151</u> |
| Total OPEB liability - ending | \$ <u><u>217,547</u></u> |
| Covered payroll | \$ 1,157,983 |
| Total OPEB liability as a percentage of covered payroll | 18.79% |

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

| <u>Fiscal year</u> | <u>Rate</u> |
|--------------------|--------------|
| <u>2020</u> | <u>3.89%</u> |

CITY OF BESSEMER CITY, NORTH CAROLINA
PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
*Last Seven Fiscal Years**

Exhibit M

| | Local Government Employees' Retirement System | | | | | | |
|--|--|--------------|--------------|--------------|--------------|--------------|--------------|
| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| City's proportion of the net pension liability (asset) % | 0.03484% | 0.03395% | 0.03553% | 0.03690% | 0.03571% | 0.02860% | 0.02200% |
| City's proportion of net pension liability (asset) \$ | \$ 951,453 | \$ 805,410 | \$ 542,800 | \$ 783,142 | \$ 160,264 | \$ (168,667) | \$ 265,184 |
| City's covered payroll | \$ 2,629,613 | \$ 2,607,827 | \$ 2,338,340 | \$ 1,920,500 | \$ 2,139,190 | \$ 1,538,026 | \$ 1,566,189 |
| City's proportionate share of net pension liability (asset) as a percentage of its covered payroll | 36.18% | 30.88% | 23.21% | 40.78% | 7.49% | -10.97% | 19.29% |
| Plan fiduciary net position as a percentage of the total pension liability | 90.86% | 91.63% | 94.18% | 91.47% | 98.09% | 102.64% | 94.35% |

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

CITY OF BESSEMER CITY, NORTH CAROLINA
SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
Last Seven Fiscal Years

Exhibit N

Local Government Employees' Retirement System

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 257,344 | \$ 203,795 | \$ 195,578 | \$ 177,429 | \$ 145,564 | \$ 140,405 | \$ 121,782 |
| Contributions in relation to the contractually required contribution | <u>257,344</u> | <u>203,795</u> | <u>195,578</u> | <u>177,429</u> | <u>145,564</u> | <u>140,405</u> | <u>121,782</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered payroll | \$2,769,517 | \$ 2,629,613 | \$ 2,607,827 | \$ 2,338,340 | \$ 1,920,500 | \$ 2,139,190 | \$ 1,538,026 |
| Contributions as a percentage of covered payroll | 9.29% | 7.75% | 7.50% | 7.59% | 7.58% | 6.56% | 7.92% |

**Individual Fund Statements
and Schedules**

CITY OF BESSEMER CITY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020

Schedule 1
Page 1 of 4

| | 2020 | | Variance |
|--|------------------|------------------|------------------------|
| | Budget | Actual | Positive (Negative) |
| Revenues | | | |
| Ad valorem taxes | | | |
| Current year | \$ - | \$ 1,976,222 | \$ - |
| Prior years | | 19,807 | |
| Penalties and interest | | 32,553 | |
| Total | <u>1,877,000</u> | <u>2,028,582</u> | <u>151,582</u> |
| Other taxes and licenses | | | |
| Gross receipts tax on short-term rental property | | 48 | |
| Total | <u>500</u> | <u>48</u> | <u>(452)</u> |
| Unrestricted intergovernmental revenues | | | |
| Local option sales tax | | 712,169 | |
| Utility franchise tax | | 436,402 | |
| Beer and wine tax | | 23,690 | |
| Total | <u>1,085,000</u> | <u>1,172,261</u> | <u>87,261</u> |
| Restricted intergovernmental revenue | | | |
| Solid waste disposal tax | | 5,182 | |
| Powell Bill allocation | | 164,303 | |
| Federal grants | | 96,926 | |
| State grants | | - | |
| Other grants | | 34,676 | |
| Total | <u>421,419</u> | <u>301,087</u> | <u>(120,332)</u> |
| Permits and fees | | | |
| Police/Fire Department fees | | 1,091 | |
| Code enforcement | | - | |
| Zoning permits and fees | | 4,280 | |
| Total | <u>6,500</u> | <u>5,371</u> | <u>(1,129)</u> |
| Sales and service | | | |
| Landfill disposal fees | | 329,618 | |
| Recycling fees | | 102,202 | |
| Grave opening and closing | | 26,440 | |
| Recreation department fees and concessions | | 102,607 | |
| Total | <u>579,367</u> | <u>560,867</u> | <u>(18,500)</u> |

CITY OF BESSEMER CITY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020

Schedule 1
Page 2 of 4

| | 2020 | | Variance Positive (Negative) |
|------------------------------------|-----------|-----------|------------------------------------|
| | Budget | Actual | |
| Revenues (continued) | | | |
| Investment earnings | \$ 40,000 | \$ 28,907 | \$ (11,093) |
| Miscellaneous | | | |
| Miscellaneous | | 167,493 | |
| Sale of property | | 178,309 | |
| Total | 143,093 | 345,802 | 202,709 |
| Total revenues | 4,152,879 | 4,442,925 | 290,046 |
| Expenditures | | | |
| General government | | | |
| Governing body and legal | | | |
| Salaries and employee benefits | | 31,502 | |
| Other operating expenditures | | 37,371 | |
| Total | 70,500 | 68,873 | 1,627 |
| Administration and finance | | | |
| Salaries and employee benefits | | 632,764 | |
| Other operating expenditures | | 496,540 | |
| Capital outlay | | 105,360 | |
| Reimbursement by proprietary funds | | (917,000) | |
| Total | 328,113 | 317,664 | 10,449 |
| Planning and zoning | | | |
| Salaries and employees benefits | | 76,471 | |
| Other operating expenditures | | 57,885 | |
| Capital Outlay | | 3,876 | |
| Total | 138,918 | 138,232 | 686 |
| Total general government | 537,531 | 524,769 | 12,762 |

CITY OF BESSEMER CITY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020

Schedule 1
Page 3 of 4

| | 2020 | | Variance |
|-------------------------------------|-----------|-----------|------------------------|
| | Budget | Actual | Positive (Negative) |
| Expenditures (Continued) | | | |
| Economic development | | | |
| Salaries and employee benefits | \$ | \$ 96,132 | \$ |
| Other operating expenditures | | 81,909 | |
| Capital Outlay | | 3,876 | |
| Total Economic Development | 183,351 | 181,917 | 1,434 |
| Public Safety | | | |
| Police | | | |
| Salaries and employee benefits | | 1,192,677 | |
| Other operating expenditures | | 303,438 | |
| Capital outlay | | 52,678 | |
| Total | 1,554,145 | 1,548,793 | 5,352 |
| Fire department | | | |
| Salaries and employee benefits | | 78,819 | |
| Other operating expenditures | | 85,036 | |
| Capital outlay | | 654,417 | |
| Total | 820,133 | 818,272 | 1,861 |
| Total public safety | 2,374,278 | 2,367,065 | 7,213 |
| Public works / Transportation | | | |
| Administration | | | |
| Other operating expenditures | | 308,177 | |
| Capital outlay | | 10,704 | |
| Total | 340,700 | 318,881 | 21,819 |
| Shop and Warehouse | | | |
| Salaries and employee benefits | | 87,681 | |
| Other operating expenditures | | 3,103 | |
| Capital outlay | | 15,746 | |
| Total | 110,805 | 106,530 | 4,275 |
| Streets and Transportation | | | |
| Other operating expenditures | | 80,702 | |
| Capital outlay | | - | |
| Total | 109,499 | 80,702 | 28,797 |
| Sanitation Department | | | |
| Other operating expenditures | | 423,694 | |
| Total | 439,567 | 423,694 | 15,873 |
| Total public works / transportation | 1,000,571 | 929,807 | 70,764 |

CITY OF BESSEMER CITY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020

Schedule 1
Page 4 of 4

| | 2020 | | Variance |
|--|-------------|--------------|------------------------|
| | Budget | Actual | Positive (Negative) |
| Expenditures (Continued) | | | |
| Cultural and recreation | | | |
| Parks and recreation | | | |
| Salaries and employee benefits | \$ - | \$ 394,566 | \$ - |
| Other operating expenditures | | 299,560 | |
| Capital outlay | | 33,727 | |
| Total cultural and recreation | 748,518 | 727,853 | 20,665 |
| Debt service | | | |
| Principal retirement | | 275,493 | |
| Interest and fees | | 46,827 | |
| Total debt service | 327,941 | 322,320 | 5,621 |
| Total expenditures | 5,172,190 | 5,053,731 | 118,459 |
| Revenues over (under) expenditures | (1,019,311) | (610,806) | 408,505 |
| Other financing sources (uses) | | | |
| Operating transfers (to) from other funds | | | |
| Loan proceeds | 590,000 | 590,000 | - |
| Transfers from other funds | 24,000 | 120,717 | (96,717) |
| Transfers to other funds | (96,718) | - | (96,718) |
| Total other financing sources (uses) | 517,282 | 710,717 | (193,435) |
| Revenues over (under) expenditures and other financing sources (uses) | (502,029) | 99,911 | 601,940 |
| Fund balance appropriated | 502,029 | - | (502,029) |
| Net change in fund balance | \$ - | 99,911 | \$ 99,911 |
| Fund balance - beginning | | 2,190,416 | |
| Fund balance - ending | | \$ 2,290,327 | |

CITY OF BESSEMER CITY, NORTH CAROLINA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2020

Schedule 2

| | Special Revenue Funds | | | | Total |
|--|---|---------------------------|-----------------------------|--|---|
| | Community Development Block Grant Fund | Cemetery Trust Fund | Sidewalk Project Fund | North Park Capital Project Fund | Nonmajor Special Revenue Funds |
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash and investments | \$ - | \$ 68,323 | \$ (94,483) | \$ 108,060 | \$ 81,900 |
| Note receivable | 79,361 | - | - | - | 79,361 |
| Total assets | <u>\$ 79,361</u> | <u>\$ 68,323</u> | <u>\$ (94,483)</u> | <u>\$ 108,060</u> | <u>\$ 161,261</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts payable and accrued liabilities | \$ - | \$ - | \$ 715 | \$ - | \$ 715 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>715</u> | <u>-</u> | <u>715</u> |
| Fund balances | | | | | |
| Restricted | | | | | |
| Nonspendable - perpetual maintenance | - | 68,323 | - | - | 68,323 |
| Assigned - economic development | 79,361 | - | - | - | 79,361 |
| Assigned - capital projects | - | - | (95,198) | 108,060 | 12,862 |
| Total fund balances | <u>79,361</u> | <u>68,323</u> | <u>(95,198)</u> | <u>108,060</u> | <u>160,546</u> |
| Total liabilities and fund balances | <u>\$ 79,361</u> | <u>\$ 68,323</u> | <u>\$ (94,483)</u> | <u>\$ 108,060</u> | <u>\$ 161,261</u> |

CITY OF BESSEMER CITY, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2020

Schedule 3

| | Special Revenue Funds | | | | Total |
|--------------------------------------|---|---------------------------|-----------------------------|--|---|
| | Community Development Block Grant Fund | Cemetery Trust Fund | Sidewalk Project Fund | North Park Capital Project Fund | Nonmajor Special Revenue Funds |
| Revenues: | | | | | |
| Restricted intergovernmental | \$ - | \$ - | \$ - | \$ 117,321 | \$ 117,321 |
| Miscellaneous | - | - | - | - | - |
| Investment earnings | - | 38 | - | - | 38 |
| Total revenues | - | 38 | - | 117,321 | 117,359 |
| Expenditures: | | | | | |
| Public safety | - | - | - | - | - |
| Transportation | - | - | 30,448 | - | 30,448 |
| Culture and recreation | - | - | - | 112,761 | 112,761 |
| Economic development | - | - | - | - | - |
| Total expenditures | - | - | 30,448 | 112,761 | 143,209 |
| Revenues over (under) expenditures | - | 38 | (30,448) | 4,560 | (25,850) |
| Other financing sources (uses): | | | | | |
| Transfers from other funds: | | | | | |
| General fund | - | - | - | - | - |
| Water and sewer fund | - | - | - | - | - |
| Natural gas fund | - | - | - | - | - |
| Transfers to other funds: | | | | | |
| General Fund | - | (24,000) | - | - | (24,000) |
| Total other financing sources (uses) | - | (24,000) | - | - | (24,000) |
| Net change in fund balance | - | (23,962) | (30,448) | 4,560 | (49,850) |
| Fund balances, beginning | 79,361 | 92,285 | (64,750) | 103,500 | 210,396 |
| Fund balances, ending | <u>\$ 79,361</u> | <u>\$ 68,323</u> | <u>\$ (95,198)</u> | <u>\$ 108,060</u> | <u>\$ 160,546</u> |

CITY OF BESSEMER CITY, NORTH CAROLINA
SPECIAL REVENUE FUND - COMMUNITY DEVELOPMENT
BLOCK GRANT NUMBER 00-C-0638

Schedule 4

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

From Inception and for the Fiscal Year Ended June 30, 2020

| | <u>Project Authorization</u> | <u>Prior Years</u> | <u>Actual Current Year</u> | <u>Total To Date</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------------|----------------------------------|------------------------|------------------------------------|--------------------------|---|
| Revenues | | | | | |
| Restricted intergovernmental revenues | | | | | |
| Community Development Block Grant | \$ 336,350 | \$ 216,091 | \$ - | \$ 216,091 | \$ (120,259) |
| Sale of Grant property | - | 361,501 | - | 361,501 | 361,501 |
| Total revenues | <u>336,350</u> | <u>577,592</u> | <u>-</u> | <u>577,592</u> | <u>241,242</u> |
| Expenditures | | | | | |
| Economic development: | | | | | |
| Rehabilitation | 288,850 | 279,289 | - | 279,289 | 9,561 |
| Administration | 30,000 | 45,134 | - | 45,134 | (15,134) |
| Miscellaneous | 17,500 | 9,312 | - | 9,312 | 8,188 |
| Total expenditures | <u>336,350</u> | <u>333,735</u> | <u>-</u> | <u>333,735</u> | <u>2,615</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>243,857</u> | <u>-</u> | <u>243,857</u> | <u>243,857</u> |
| Other financing sources | | | | | |
| Transfers from other funds | | | | | |
| Downtown Shell Building | | | | | |
| Infill Capital Project Fund | (149,967) | (149,967) | - | (149,967) | - |
| Total other financing sources | <u>(149,967)</u> | <u>(149,967)</u> | <u>-</u> | <u>(149,967)</u> | <u>-</u> |
| Appropriated fund balance | <u>149,967</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(149,967)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 93,890</u> | <u>-</u> | <u>\$ 93,890</u> | <u>\$ 93,890</u> |
| Fund balance - beginning | | | <u>79,361</u> | | |
| Fund balance - ending | | | <u>\$ 79,361</u> | | |

CITY OF BESSEMER CITY, NORTH CAROLINA
NORTH PARK CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Schedule 5

From Inception and for the Fiscal Year Ended June 30, 2020

| | Project Authorization | Prior Years | Actual Current Year | Total To Date | Variance Positive (Negative) |
|------------------------------------|--------------------------|----------------|---------------------------|------------------|------------------------------------|
| Expenditures | | | | | |
| Cultural and recreational | | | | | |
| Professional services | \$ 60,000 | \$ 3,410 | \$ 4,379 | \$ 7,789 | \$ 52,211 |
| Property acquisition | 212,000 | 207,900 | - | 207,900 | 4,100 |
| Design services | 245,000 | 135,410 | 29,306 | 164,716 | 80,284 |
| Construction | 2,272,214 | 85,886 | 79,076 | 164,962 | 2,107,252 |
| Total expenditures | 2,789,214 | 432,606 | 112,761 | 545,367 | 2,243,847 |
| Revenues over (under) expenditures | (2,789,214) | (432,606) | (112,761) | (545,367) | 2,243,847 |
| Other financing sources | | | | | |
| Gaston County Grant | 500,000 | 233,328 | 117,321 | 350,649 | (149,351) |
| NC Parks & Recreation Grant | 500,000 | 302,778 | - | 302,778 | (197,222) |
| Connect NC Bond funds | 480,000 | - | - | - | (480,000) |
| Loan proceeds | 1,309,214 | - | - | - | (1,309,214) |
| Total other financing sources | 2,789,214 | 536,106 | 117,321 | 653,427 | (2,135,787) |
| Net change in fund balance | \$ - | \$ 103,500 | 4,560 | \$ 108,060 | \$ 108,060 |
| Fund balance - beginning | | | 103,500 | | |
| Fund balance - ending | | | \$ 108,060 | | |

CITY OF BESSEMER CITY, NORTH CAROLINA
SIDEWALK PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2020

Schedule 6

| | Project Authorization | Prior Years | Actual Current Year | Total To Date | Variance Positive (Negative) |
|---|--------------------------|----------------|---------------------------|------------------|------------------------------------|
| Revenues | | | | | |
| CMAQ Grant | \$ 527,847 | \$ - | \$ - | \$ - | \$ 527,847 |
| Total revenues | 527,847 | - | - | - | 527,847 |
| Expenditures | | | | | |
| Construction | 625,659 | 30,600 | 30,448 | 61,048 | 564,611 |
| Surveying | 14,900 | 14,900 | - | 14,900 | - |
| Environmental services | 19,250 | 19,250 | - | 19,250 | - |
| Total expenditures | 659,809 | 64,750 | 30,448 | 95,198 | 564,611 |
| Revenues over (under) expenditures | (131,962) | (64,750) | (30,448) | (95,198) | (36,764) |
| Other financing sources | | | | | |
| Transfers from other funds: | | | | | |
| General Fund | 131,962 | - | - | - | - |
| Total other financing sources | 131,962 | - | - | - | - |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ - | \$ (64,750) | (30,448) | \$ (95,198) | \$ 36,764 |
| Fund balance - beginning | | | (64,750) | | |
| Fund balance - ending | | | \$ (95,198) | | |

CITY OF BESSEMER CITY, NORTH CAROLINA
WATER AND WASTEWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

Schedule 7
Page 1 of 3

| | 2020 | | Variance Positive (Negative) |
|-----------------------------------|-----------|--------------|------------------------------------|
| | Budget | Actual | |
| Revenues | | | |
| Operating Revenues: | | | |
| Water and wastewater charges | \$ | \$ 4,800,115 | \$ |
| Reconnection and taps | | 45,060 | |
| Late penalties | | 120,182 | |
| Miscellaneous revenue | | 1,739 | |
| Total operating revenues | 4,249,500 | 4,967,096 | 717,596 |
| Nonoperating revenues | | | |
| Interest earnings | 500 | 959 | 1,649 |
| Total revenues | 4,250,000 | 4,968,055 | 718,055 |
| Expenditures | | | |
| Administrative and finance: | | | |
| Other operating expenditures | | 617,000 | |
| Total | 617,000 | 617,000 | - |
| Treatment: | | | |
| Salaries and employees benefits | | 310,616 | |
| Purchased water | | 32,625 | |
| Purchased wastewater treatment | | 1,456,737 | |
| Pretreatment | | 24,653 | |
| Utilities | | 175,682 | |
| Maintenance and repairs | | 44,147 | |
| Contracted services | | 132,965 | |
| Supplies | | 130,437 | |
| Other operating expenditures | | 92,206 | |
| Total | 2,440,451 | 2,400,068 | 40,383 |
| Public works: | | | |
| Salaries and employees benefits | | 886,426 | |
| Department supplies and materials | | 78,822 | |
| Other operating expenditures | | 63,504 | |
| Total | 1,043,568 | 1,028,752 | 14,816 |

*CITY OF BESSEMER CITY, NORTH CAROLINA
WATER AND WASTEWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (Non-GAAP)
For the Fiscal Year Ended June 30, 2020*

*Schedule 7
Page 2 of 3*

| | 2020 | | Variance |
|--|------------------|------------------|------------------------|
| | Budget | Actual | Positive (Negative) |
| Expenditures (Continued) | | | |
| Debt service: | | | |
| Interest and fees | \$ | \$ 42,575 | \$ |
| Principal retirement | | 248,992 | |
| Total | <u>290,383</u> | <u>291,567</u> | <u>(1,184)</u> |
| Capital outlay: | | | |
| Contracted services - construction | | 45,288 | |
| Equipment - Treatment | | 158,907 | |
| Equipment - Public Works | | 130,021 | |
| Total | <u>377,166</u> | <u>334,216</u> | <u>42,950</u> |
| Total expenditures | <u>4,768,568</u> | <u>4,671,603</u> | <u>96,965</u> |
| Revenues over (under) expenditures | <u>(518,568)</u> | <u>296,452</u> | <u>815,020</u> |
| Other financing sources (uses) | | | |
| Loan proceeds | - | - | - |
| Transfer to Water and Wastewater Capital Project Fund | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance appropriated | <u>518,568</u> | <u>-</u> | <u>(518,568)</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | <u>\$ -</u> | <u>296,452</u> | <u>\$ 296,452</u> |

CITY OF BESSEMER CITY, NORTH CAROLINA
WATER AND WASTEWATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020

Schedule 7
Page 3 of 3

| | 2020 |
|--|---------------------|
| | <u>Actual</u> |
| Reconciliation from budgetary basis (modified accrual) to full accrual: | |
| Reconciling items: | |
| Principal retirement | \$ 248,992 |
| Capital outlay | 334,216 |
| Depreciation | (660,996) |
| Amortization of reduced treatment rates | (12,514) |
| Increase in compensated absences | (9,298) |
| Decrease in deferred outflows of resources-pensions | (29,530) |
| Increase in deferred outflows of resources-OPEB | 750 |
| Decrease in net pension liability | 11,428 |
| Decrease in deferred inflows of resources-pensions | 1,550 |
| Decrease in deferred inflows of resources-OPEB | 2,440 |
| Increase in accrued OPEB liability | (25,964) |
| To reconcile Water Operations with Capital Project Fund net results | |
| Revenues and other financing sources under expenditures and other uses | |
| Public works capital project fund investment earnings | 27 |
| Public works facility project - grants | 1,892,695 |
| Water sewer capital project grants | 38,235 |
| Total reconciling items | <u>1,792,031</u> |
| Change in net position | <u>\$ 2,088,483</u> |

CITY OF BESSEMER CITY, NORTH CAROLINA
WATER SEWER CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2020

Schedule 8

| | Project Authorization | Prior Years | Actual Current Year | Total To Date | Variance Positive (Negative) |
|---|--------------------------|----------------|---------------------------|------------------|------------------------------------|
| Revenues | | | | | |
| Grants | \$ 300,000 | \$ - | \$ 38,235 | \$ 38,235 | \$ 261,765 |
| Total revenues | 300,000 | - | 38,235 | 38,235 | 261,765 |
| Expenditures | | | | | |
| Water Sewer Project: | | | | | |
| Construction | - | - | - | - | - |
| Engineering | 300,000 | - | 184,463 | 184,463 | 115,537 |
| Closing costs and miscellaneous services | - | - | - | - | - |
| Total expenditures | 300,000 | - | 184,463 | 184,463 | 115,537 |
| Revenues over (under) expenditures | - | - | (146,228) | (146,228) | 146,228 |
| Other financing sources | | | | | |
| Transfers from other funds: | | | | | |
| Water and Wastewater Fund | - | - | - | - | - |
| Total other financing sources | - | - | - | - | - |
| Fund balance appropriated | - | - | - | - | - |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ - | \$ - | (146,228) | \$ (146,228) | \$ (146,228) |
| Fund balance - beginning | | | - | | |
| Fund balance - ending | | | \$ (146,228) | | |

CITY OF BESSEMER CITY, NORTH CAROLINA
WATER SEWER STINGER PARK CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2020

Schedule 9

| | Project Authorization | Prior Years | Actual Current Year | Total To Date | Variance Positive (Negative) |
|---|--------------------------|----------------|---------------------------|------------------|------------------------------------|
| Revenues | | | | | |
| Grants | \$ 3,165,000 | \$ - | \$ - | \$ - | \$ 3,165,000 |
| Total revenues | 3,165,000 | - | - | - | 3,165,000 |
| Expenditures | | | | | |
| Water Sewer Project: | | | | | |
| Construction | 6,377,800 | - | - | - | 6,377,800 |
| Engineering | 916,436 | - | 388,696 | 388,696 | 527,740 |
| Administration | 2,500 | - | - | - | 2,500 |
| Local & bond counsel | 27,500 | - | - | - | 27,500 |
| Contingencies | 503,532 | - | - | - | 503,532 |
| Interest - interim financing | 250,000 | - | - | - | 250,000 |
| Total expenditures | 8,077,768 | - | 388,696 | 388,696 | 7,689,072 |
| Revenues over (under) expenditures | (4,912,768) | - | (388,696) | (388,696) | (4,524,072) |
| Other financing sources | | | | | |
| Transfers from other funds: | | | | | |
| Water and Wastewater Fund | - | - | - | - | - |
| Total other financing sources | 4,865,000 | - | - | - | 4,865,000 |
| Fund balance appropriated | 47,768 | - | - | - | 47,768 |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ - | \$ - | (388,696) | \$ (388,696) | \$ 388,696 |
| Fund balance - beginning | | | - | | |
| Fund balance - ending | | | \$ (388,696) | | |

CITY OF BESSEMER CITY, NORTH CAROLINA
PUBLIC WORKS FACILITY CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Schedule 10

From Inception and for the Fiscal Year Ended June 30, 2020

| | Project Authorization | Prior Years | Actual Current Year | Total To Date | Variance Positive (Negative) |
|------------------------------------|--------------------------|----------------|---------------------------|------------------|------------------------------------|
| Expenditures | | | | | |
| Public Works: | | | | | |
| Design services | \$ 160,500 | \$ 95,843 | \$ 27,517 | \$ 123,360 | \$ 37,140 |
| Resident project observation | 49,600 | 16,803 | 38,652 | 55,455 | (5,855) |
| Professional fees | 30,000 | 22,714 | 200 | 22,914 | 7,086 |
| Furnishings and equipment | 25,000 | - | 104,480 | 104,480 | (79,480) |
| Construction | 2,220,320 | 962,416 | 2,855,284 | 3,817,700 | (1,597,380) |
| Total expenditures | 2,485,420 | 1,097,776 | 3,026,133 | 4,123,909 | (1,638,489) |
| Revenues | | | | | |
| Investment earnings | - | 199 | 27 | 226 | 226 |
| Revenues over (under) expenditures | (2,485,420) | (1,097,577) | (3,026,106) | (4,123,683) | (1,638,263) |
| Other financing sources | | | | | |
| Loan proceeds - Public Works | | | | | |
| Facility Improvement | 1,844,000 | 2,576,000 | - | 2,576,000 | 732,000 |
| USDA Rural Development grant | 471,000 | - | 1,892,695 | 1,892,695 | 1,421,695 |
| Transfers from other funds: | | | | | |
| Water and Wastewater Fund | 170,420 | - | - | - | (170,420) |
| Total other financing sources | 2,485,420 | 2,576,000 | 1,892,695 | 4,468,695 | 1,983,275 |
| Net change in fund balance | \$ - | \$ 1,478,423 | (1,133,411) | \$ 345,012 | \$ 345,012 |
| Fund balance - beginning | | | 1,478,423 | | |
| Fund balance - ending | | | \$ 345,012 | | |

*CITY OF BESSEMER CITY, NORTH CAROLINA
NATURAL GAS FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (Non-GAAP)
For the Fiscal Year Ended June 30, 2020*

*Schedule 11
Page 1 of 2*

| | 2020 | | Variance |
|---------------------------------|------------------|------------------|------------------------|
| | Budget | Actual | Positive (Negative) |
| Revenues | | | |
| Operating Revenues: | | | |
| Natural gas sales: | | | |
| Residential | \$ | \$ 677,979 | \$ |
| Small commercial | | 460,043 | |
| Firm industrial | | 37,194 | |
| Reconnection and tap fees | | 2,135 | |
| Penalties | | - | |
| Miscellaneous revenue | | 5,327 | |
| Total operating revenues | <u>1,323,200</u> | <u>1,182,678</u> | <u>(140,522)</u> |
| Nonoperating revenues | | | |
| Interest earnings | <u>-</u> | <u>689</u> | <u>689</u> |
| Total revenues | <u>1,323,200</u> | <u>1,183,367</u> | <u>(139,833)</u> |
| Expenditures | | | |
| Administrative and finance: | | | |
| Other operating expenditures | | 300,000 | |
| Total | <u>300,000</u> | <u>300,000</u> | <u>-</u> |
| Distribution: | | | |
| Salaries and employees benefits | | 350,801 | |
| Purchased natural gas | | 360,198 | |
| Utilities | | 2,118 | |
| Maintenance and repairs | | 3,567 | |
| Supplies | | 50,413 | |
| Other operating expenditures | | 218,035 | |
| Capital outlay | | 74,257 | |
| Total | <u>1,303,145</u> | <u>1,059,389</u> | <u>243,756</u> |
| Debt service: | | | |
| Interest and fees | | 7,199 | |
| Principal retirement | | 86,300 | |
| Total | <u>95,769</u> | <u>93,499</u> | <u>2,270</u> |
| Total expenditures | <u>1,698,914</u> | <u>1,452,888</u> | <u>246,026</u> |

CITY OF BESSEMER CITY, NORTH CAROLINA
NATURAL GAS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2020

Schedule 11

Page 2 of 2

| | 2020 | | Variance |
|--|--------------|--------------|------------------------|
| | Budget | Actual | Positive (Negative) |
| Revenues over (under) expenditures | \$ (375,714) | \$ (269,521) | \$ 106,193 |
| Other financing sources (uses) | | | |
| Transfers to other funds: | | | |
| Streets & Sidewalks Capital Project Fund | \$ - | - | - |
| Insurance proceeds | - | 3,405 | 3,405 |
| Loan proceeds | - | - | - |
| Total other financing sources (uses) | - | 3,405 | 3,405 |
| Fund balance appropriated | 375,714 | - | (375,714) |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ - | (266,116) | \$ (266,116) |
| Reconciliation from budgetary basis (modified accrual) to full accrual: | | | |
| Reconciling items: | | | |
| Principal retirement | | 86,300 | |
| Capital Outlay | | 74,257 | |
| Depreciation | | (76,646) | |
| Loan proceeds | | - | |
| Increase in net pension liability | | (27,845) | |
| Increase in deferred outflows of resources-pensions | | 9,303 | |
| Increase in deferred outflows of resources-OPEB | | 225 | |
| Decrease in deferred inflows of resources-pensions | | 296 | |
| Increase in accrued vacation payable | | (8,164) | |
| Increase in OPEB liability | | (4,319) | |
| Decrease in deferred inflows - OPEB | | 237 | |
| Natural Gas Facility Capital Project Fund transfer to General Fund | | (96,717) | |
| Total reconciling items | | (43,073) | |
| Change in net position | | \$ (309,189) | |

CITY OF BESSEMER CITY, NORTH CAROLINA
NATURAL GAS FACILITY CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2020

Schedule 12

| | <u>Project Authorization</u> | <u>Prior Years</u> | <u>Actual Current Year</u> | <u>Total To Date</u> | <u>Variance Positive (Negative)</u> |
|---|----------------------------------|------------------------|------------------------------------|--------------------------|---|
| Revenues | | | | | |
| Natural Gas Facility: | | | | | |
| Investment earnings | \$ - | \$ 7,972 | \$ - | \$ 7,972 | \$ 7,972 |
| Total revenues | - | 7,972 | - | 7,972 | 7,972 |
| Expenditures | | | | | |
| Natural Gas Facility: | | | | | |
| Construction | 51,282 | 43,570 | - | 43,570 | 7,712 |
| Total expenditures | 51,282 | 43,570 | - | 43,570 | 7,712 |
| Revenues over (under) expenditures | (51,282) | (35,598) | - | (35,598) | 15,684 |
| Other financing sources | | | | | |
| Transfers from (to) other funds: | | | | | |
| Capital Reserve Fund | 225,000 | 225,000 | - | 225,000 | - |
| General Fund | (401,871) | (402,122) | (96,717) | (498,839) | (96,968) |
| Gas Fund | 228,153 | 225,000 | - | 225,000 | (3,153) |
| Total other financing sources | 51,282 | 47,878 | (96,717) | (48,839) | (100,121) |
| Revenues and other financing sources | <u>\$ -</u> | <u>\$ 12,280</u> | <u>(96,717)</u> | <u>\$ (84,437)</u> | <u>\$ (84,437)</u> |
| Fund balance - beginning - as previously reported | | | 12,280 | | |
| Restatement amount, see note 6 | | | 84,437 | | |
| Fund balance - beginning - as restated | | | 96,717 | | |
| Fund balance - ending | | | <u>\$ -</u> | | |

CITY OF BESSEMER CITY, NORTH CAROLINA
STORM WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

Schedule 13

| | 2020 | | Variance Positive (Negative) |
|--|-----------|--------------|------------------------------------|
| | Budget | Actual | |
| Revenues | | | |
| Operating Revenues: | | | |
| Storm water charges | \$ | \$ 98,372 | \$ |
| Total revenues | 98,500 | 98,372 | (128) |
| Expenditures | | | |
| Capital outlay | | - | |
| Other operating expenditures | | 179,825 | |
| | 185,300 | 179,825 | 5,475 |
| Debt service: | | | |
| Interest and fees | | 3,280 | |
| Principal retirement | | 32,161 | |
| Total | 35,441 | 35,441 | - |
| Total expenditures | 220,741 | 215,266 | 5,475 |
| Revenues over (under) expenditures | (122,241) | (116,894) | 5,347 |
| Fund balance appropriated | 122,241 | - | (122,241) |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ - | (116,894) | \$ (116,894) |
| Reconciliation from budgetary basis (modified accrual) to full accrual: | | | |
| Reconciling items: | | | |
| Capital outlay | | - | |
| Principal retirement | | 32,161 | |
| Depreciation | | (57,784) | |
| Total reconciling items | | (25,623) | |
| Change in net position | | \$ (142,517) | |

Other Schedules

This section contains additional information required on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

CITY OF BESSEMER CITY, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2020

Schedule 14

| <u>Fiscal Year</u> | <u>Uncollected Balance July 1, 2019</u> | <u>Additions</u> | <u>Collections and Credits</u> | <u>Uncollected Balance June 30, 2020</u> |
|--|---|---------------------|------------------------------------|--|
| 2019-2020 | \$ - | \$ 1,938,388 | \$ 1,897,244 | \$ 41,144 |
| 2018-2019 | 57,598 | - | 10,187 | 47,411 |
| 2017-2018 | 173,916 | - | 4,733 | 169,183 |
| 2016-2017 | 32,217 | - | 1,499 | 30,718 |
| 2015-2016 | 6,027 | - | 937 | 5,090 |
| 2014-2015 | 27,596 | - | 589 | 27,007 |
| 2013-2014 | 5,471 | - | 777 | 4,694 |
| 2012-2013 | 4,379 | - | 132 | 4,247 |
| 2011-2012 | 3,615 | - | 433 | 3,182 |
| 2010-2011 | 3,537 | - | 436 | 3,101 |
| 2009-2010 | 3,364 | - | 3,364 | - |
| | <u>\$ 317,720</u> | <u>\$ 1,938,388</u> | <u>\$ 1,920,331</u> | <u>335,777</u> |
| Less: Allowance for uncollectible accounts General Fund | | | | <u>(114,012)</u> |
| Ad valorem taxes receivable - net | | | | <u>\$ 221,765</u> |
| Reconcilement with revenues | | | | |
| Ad valorem taxes collected - General Fund | | | | \$ 2,019,820 |
| Interest | | | | (32,553) |
| Taxes written off | | | | 3,364 |
| MV Tags (\$20 per tag) | | | | (82,145) |
| Refunds | | | | 1,425 |
| Collection fees | | | | 7,336 |
| Other adjustments | | | | <u>3,083</u> |
| Total collections and credits | | | | <u>\$ 1,920,330</u> |

*CITY OF BESSEMER CITY, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
CITY-WIDE LEVY
For the Fiscal Year Ended June 30, 2020*

Schedule 15

| | City-Wide | | | Total Levy | |
|---------------------------------------|-----------------------|------|---------------------|--|---------------------------------|
| | Property Valuation | Rate | Total Levy | Property Excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original Levy: | | | | | |
| Property taxes at current year's rate | \$ 430,049,111 | 0.45 | \$ 1,935,221 | \$1,778,434 | \$ 156,787 |
| Discoveries: | | | | | |
| Current year taxes | 703,778 | 0.45 | 3,167 | 3,167 | - |
| Abatements: | - | 0.45 | - | - | - |
| Total valuation | <u>\$ 430,752,889</u> | | | | |
| Net levy | | | 1,938,388 | 1,781,601 | 156,787 |
| Uncollected taxes at June 30, 2020 | | | 41,144 | 40,225 | 919 |
| Current year's taxes collected | | | <u>\$ 1,897,244</u> | <u>\$1,741,376</u> | <u>\$ 155,868</u> |
| Current levy collection percentage | | | <u>97.88%</u> | <u>97.74%</u> | <u>99.41%</u> |

Compliance Section

This section requires additional required information.

- 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*
- Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and State Single Audit Implementation Act
- Schedule of Findings and Questioned Costs
- Financial Statement Findings
- Summary Schedule of Prior Audit Findings
- Schedule of Federal and State Financial Assistance

EDDIE CARRICK, CPA, PC

Certified Public Accountant

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*

Independent Auditor's Report

To the Honorable Mayor and
City Council
City of Bessemer City, North Carolina

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bessemer City, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the City of Bessemer City's basic financial statements, and have issued my report thereon dated November 13, 2020.

Internal Control Over Financial Reporting

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

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

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Eddie Carrick, CPA

A handwritten signature in black ink, appearing to read 'Eddie Carrick, CPA'.

Lexington, North Carolina
November 13, 2020

EDDIE CARRICK, CPA, PC

Certified Public Accountant

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Bessemer City, North Carolina

Report on Compliance for Each Major Federal Program

I have audited the City of Bessemer City, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Bessemer City's major federal programs for the year ended June 30, 2020. The City of Bessemer City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the City of Bessemer City's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Bessemer City's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In my opinion, the City of Bessemer City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 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.

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

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.

Eddie Carrick, CPA, PC



Lexington, North Carolina
November 13, 2020

City of Bessemer City, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

I. Summary of Auditor's Results

Financial statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

* Material weakness(es) identified? _____ yes X no

* Significant Deficiency(s) identified that
are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial
statements noted _____ yes X no

Federal and state awards

* Material weakness(es) identified? _____ yes X no

* Significant Deficiency(s) identified that
are not considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance for major federal programs: unqualified

Any audit findings disclosed that are required to be
accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major federal programs:

| Program Name | CFDA # |
|--|--------|
| US Department of Agriculture | |
| Water and Waste Disposal Systems for Rural Communities | |
| Public Works Building | 10.760 |

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

Auditee qualified as low risk auditee? _____ yes X no

City of Bessemer City, North Carolina
Financial Statement Findings
For the Year Ended June 30, 2020

II Financial Statement Findings

Material weakness

None reported

III Federal Award Findings and Questioned Costs

None reported

City of Bessemer City, North Carolina
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2020

Finding: 2019-1

Status: Corrected

Finding: 2019-2

Status: Corrected

CITY OF BESSEMER CITY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Schedule 16

| <u>Grantor/Pass-through Grantor/Program title</u> | <u>Federal CFDA Number</u> | <u>State/ Pass-through Grantor's Number</u> | <u>Federal Direct & - Pass-through Expenditures</u> | <u>State Expenditures</u> | <u>Local Expenditures</u> |
|--|------------------------------------|---|---|-------------------------------|-------------------------------|
| FEDERAL AWARDS | | | | | |
| <u>U.S. Department of Agriculture</u> | | | | | |
| Water and Waste Disposal Systems for Rural Communities | | | | | |
| Public Works Building | 10.760 | | \$ 1,892,695 | \$ - | \$ - |
| <u>U.S. Department of Homeland Security</u> | | | | | |
| Direct Programs: FEMA | | | | | |
| Assistance to Firefighters Grant | 97.044 | | 34,143 | - | 3,485 |
| <u>U.S. Department of Justice</u> | | | | | |
| Byrne Justice Assistance Grants | 16.738 | 2017-DJ-BX-0129 | 19,035 | - | - |
| <u>National Highway Traffic Safety Administration</u> | | | | | |
| Passed-through NC Department of Transportation | | | | | |
| GHSP 2019 Personnel Equipment | 20.600 | PT-19-06-09 | 40,529 | - | 17,370 |
| GHSP 2020 Personnel Equipment | 20.600 | PT-20-06-20 | 30,231 | - | 30,231 |
| Total assistance federal programs | | | <u>2,016,633</u> | <u>-</u> | <u>51,086</u> |
| STATE GRANTS | | | | | |
| <u>N. C. Department of Transportation</u> | | | | | |
| Powell Bill | N/A | | - | 183,840 | - |
| Total assistance state programs | | | <u>-</u> | <u>183,840</u> | <u>-</u> |
| Total assistance | | | <u>\$ 2,016,633</u> | <u>\$ 183,840</u> | <u>\$ -</u> |

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Bessemer City under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of Bessemer City.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Loans Outstanding

The City had the following loan balances at June 30, 2020 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2020 consist of:

| | <u>CFDA Number</u> | <u>State Project Number</u> | <u>Amount Outstanding</u> |
|--|------------------------|---------------------------------|-------------------------------|
| Water and Waste Disposal Systems for Rural Communities | | | |
| Public Works Building | 10.760 | - | <u>\$ 2,576,000</u> |