

COMPREHENSIVE ANNUAL FINANCIAL REPORT



**FOR THE YEARS ENDED
DECEMBER 31, 2019
AND 2018**

**Board of Water and
Sewer Commissioners
of the City of Mobile
Mobile, Alabama**



Cover Photo: Construction of severe weather attenuation tanks (SWATs) in Mobile is expected to be completed by December 31, 2020. There are two new SWATs adjacent to an existing tank near Tricentennial Park. SWATs provide temporary storage during heavy rain events.

These SWATs represent a more than \$16 million investment to help alleviate sanitary sewer overflows into Three Mile Creek.

www.mawss.com

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE
MOBILE, ALABAMA**

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

FOR THE YEAR ENDED

DECEMBER 31, 2019

**Prepared by
MAWSS Accounting Department**

MISSION STATEMENT

Mobile Area Water and Sewer System will protect and enhance the health, safety, and economic well being of our community through responsible management of water resources while providing superior customer service.

VISION STATEMENT

Mobile Area Water and Sewer System will become a model utility to create and protect resources for future generations. We will lead our industry and provide services to accommodate regional economic development and growth.

VALUES

Environment	We are guardians of the environment and honor this great responsibility by ensuring that our actions reflect our resolve to protect the health of the environment.
Communication	Effective communication with the community and throughout our organization is the means by which we will maintain alignment toward our goals and the needs of our customers.
Customer Service	We are servants of the community and make every effort to fulfill this privilege by placing our customers first in all that we do.
Trust	Trust is the foundation of relationships. We strive to understand and rely on each other as we build strong teams and partnerships.
Employees	We acknowledge, respect, and promote the well-being and professional development of our employees because they are the heart of our organization.
Integrity	We weave virtue, honesty, sincerity, and acceptance of duty into our daily efforts so that integrity is the banner of our commitment.
Continuous Improvement	We always seek to improve our organization and ourselves because the community deserves the best we can offer.

BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018

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INTRODUCTORY SECTION



September 14, 2020

Mr. Kenny Nichols, and Members of the Board
Board of Water and Sewer Commissioners
of the City of Mobile, Alabama
Mobile, Alabama

To the Chair and Members of the Board:

I am pleased to present the Board of Water and Sewer Commissioners of the City of Mobile's (the Board's) Comprehensive Annual Financial Report (CAFR) for the year ending December 31, 2019. State law and the Board's *Master Trust Indenture* require the Board to publish within 180 days after the close of each year a complete set of audited financial statements. This report is published to fulfill that requirement. However, due to the impact of COVID-19 on the preparation for and the completion of our annual audit, the published date in 2020 is 216 days after the close of 2019.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Jackson Thornton, a firm of licensed certified public accountants, has issued an unmodified ("clean") opinion on the Board's financial statements for the year ended December 31, 2019. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Board

The Board was created in 1952 by an Act of the Alabama State Legislature as an independent water and sewer utility. The Board, doing business as Mobile Area Water and Sewer System (MAWSS), provides water and wastewater services to customers in the City of Mobile and the surrounding areas.

While the Board is a separate legal entity from the City of Mobile, each councilperson of the City of Mobile appoints a commissioner to the Board for a six-year term. These seven appointed commissioners are the policy-making body of the Board. The Board has the authority, among others, to operate and maintain any water or sewer system inside or outside the Mobile corporate limits, issue revenue bonds, and set rates and user fees. While the Board is a related entity of the City of Mobile, it is not considered a component unit of the City of Mobile or any other governmental agency.

The Board currently provides services to approximately 90,000 accounts within the City of Mobile and portions of the unincorporated areas of Mobile County. It also sells treated water from the J. B. Converse Reservoir (Big Creek Lake) to Prichard Water Works and the Spanish Fort Water System. Untreated or raw water, also from Big Creek Lake, is provided to the Board's industrial customers..

The budget serves as the foundation for the Board's financial planning and control. The Board's *Master Trust Indenture* requires the Board to adopt a balanced budget by December 31 of each year. The budget is prepared by cost center and by department. During the year, department heads may make budget transfers within their various cost centers. Budget-to-actual comparisons are provided monthly for each cost center and for the Board as a whole.

Local economy

The City of Mobile serves as the economic hub for the Mobile metropolitan area which includes Mobile and Baldwin counties in lower Alabama. Mobile, located approximately thirty miles north of the Gulf of Mexico at the head of Mobile Bay, is the only seaport in Alabama. The Port of Mobile is the eleventh largest port in the nation in total tonnage. Mobile is also served by five class-one railway lines, two municipal airports, and is accessible by interstate highways I-10 and I-65.

Mobile's business sector is diversified with fifty international companies located in the area. These include some of our largest consumers, Evonik , INEOS Phenol, Kimberly-Clark, and Mitsubishi Polycrystalline Silicon America . Mobile is home to Evonik's largest North American site, with over 850 employees producing methionine and derivatives, bio amino acids, and healthy nutritional solutions. INEOS Phenol is the world's fifth largest chemical company and leading manufacturer of phenol and acetone. Their Mobile plant is the largest single train Phenol facility in the world, facilitated by the excellent transportation networks and access to raw materials and utilities needed for processing. Mobile has a diverse chemical industry, a growing steel industry, and is a regional center for medical care, research and education. Also prevalent are an expanding aerospace industry and maritime industry.

At the end of 2019, Mobile's unemployment rate was at 3.2% compared to the state's 2.7% and the nation's 3.5%. Mobile is a regional hub for technical training. Industries are working with Alabama Industrial Development Training (AIDT), Alabama's worker training agency, to train workers in these expanding job fields. AIDT is the first state workforce training organization in the United States to earn international certification for its quality management system.

Financial planning

Meeting new and revised regulatory permit requirements in the future will require additional capital investment in both the water and wastewater sectors. MAWSS has completed a master planning effort to evaluate the assets of the Board. A risk based approach was used to prioritize assets for long term renewal and funding. This master plan was completed in 2018 and will assist MAWSS in forecasting their needs moving forward. Forecasting regulatory requirements is also a component of the planning effort.

MAWSS utilizes a financial planning model to optimize the balance between necessary rate increases and additional borrowing. Also taken into consideration are financial benchmarks such as days cash on hand and the debt service coverage ratio. The intent is to ensure the sustainability of the funding for capital projects.

In regard to the water system, the treatment plants and raw water conveyance systems were evaluated during the master plan for resiliency to ensure the systems remain operational during times of power outage. The E.M. Stickney water treatment plant was constructed in 1944. Although the plant has had several upgrades, it is in need of an overall condition assessment for the purpose of scoping a general renovation of the facility. Means of further protecting Big Creek Lake from hazardous material spills will be studied.

The predominant cause of sanitary sewer overflows (SSOs) in MAWSS' aging collection system is storm water inflow and infiltration through defects in collection system piping and manholes.

SSOs that reach Waters of the State are considered unauthorized discharges under the Clean Water Act and are prohibited. MAWSS will continue to need to expend resources, and both capital and operational budgets, to continue to control and prevent SSOs within the system so that the potential for future U.S. EPA enforcement action is minimized. The effort to minimize SSOs includes ongoing collection system rehabilitation and the construction of increased conveyance and storage capacity in Halls Mill Creek, Three Mile Creek and Eslava Creek sewer sheds. The storage capacity component at Halls Mill Creek was completed in 2019. The 36-inch/48-inch PCCP sewer force main that conveys wastewater from the Halls Mill Creek Lift Station to the Williams WWTP has reached its

design life and will need to be replaced. Planning for the force main replacement is under design and construction will begin soon.

The Board has developed a Master Plan for the C. C. Williams WWTF. A \$26 million project to construct new headworks, primary clarifiers was recently completed. Within five years of completing the primary clarifiers, construction of a dewatering facility and possibly new aeration basins is anticipated.

Major initiatives

As part of the 2019 budget planning process, MAWSS pursued a \$20 million DWSRF loan to cover the funding for the Advanced Metering Infrastructure (AMI) project. The total investment cost for the AMI project is approximately \$30 million. Staff recommended in the 2019 budget that \$20 million for the remaining funding for this project come from a DWSRF loan. Installation of all meters will be completed by both MAWSS staff and outside contractors. Upon completion in the third quarter of 2020, almost 100,000 meters will have been replaced, and six towers will have been installed.

The Board also pursued a \$32 million CWSRF loan that closed in the fall of 2018. These funds are currently being used for the Three Mile Creek truncated sewer wet weather conveyance and storage facility upgrades, as well as various sewer rehabilitation projects. These projects are part of the previously mentioned efforts to minimize SSOs through collection system rehabilitation and increased conveyance and storage capacity.

In the second quarter of 2019, the Board approved submitting pre-applications to ADEM for both a CWSRF loan of \$138,709,000, and a DWSRF loan of \$32,550,000. The primary loan applications to ADEM were approved by the Board later in 2019, and the money will be borrowed as needed over the next five years to fund projects identified by the master plan.

Relevant financial policies

In conjunction with the new issue and the refunding, the Board adopted its *Master Trust Indenture*, dated November 1, 2014. The new covenants provide for, among other things, the establishment of the following unrestricted and restricted funds: the Revenue Fund, Bond Fund, Reserve Fund, Subordinated Debt Fund, and Capital Improvement Fund. The Board is required to maintain a minimum Capital Improvement Fund balance of \$15 million. The *Master Trust Indenture* requires that the Board maintain a debt service coverage ratio of both parity and subordinate bonds of not less than 1.25. The Board has set internal policies to strive to maintain a debt service coverage ratio of 2.0, and also to maintain 200 days cash on hand.

The Board revised the Cash Reserve Requirements Policy in December 2015 in order to react to the required recording of the unfunded pension liability. This revision created an additional cash reserve for the accumulation of funds to offset the unfunded pension liability due to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The Board, through their annual budget, is continuing to fund the reserve. The amount set aside in 2019 was \$1,100,000.

As a result of two of the GASB Statements adopted in 2017, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the Board must also report its net OPEB liability. Through contributions to an OPEB trust, the Board has reduced the net liability to approximately fifty percent.

Awards and acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Board of Water and Sewer Commissioners of the City of Mobile for its comprehensive annual financial report for the fiscal year ended December 31, 2018. This was the eighteenth consecutive year that the Board received this prestigious award. In order to be awarded a Certificate of Achievement, the Board published an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Accounting Department. Additionally, I realize that the cooperation of each department within the company is essential, and I wish to express my appreciation for each individual's contribution.

Respectfully submitted,

A handwritten signature in blue ink that reads "Charles E. Hyland, Jr." with a stylized flourish at the end.

Charles E. Hyland, Jr., Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Board of Water and Sewer
Commissioners of the City of Mobile
Alabama**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morrell

Executive Director/CEO

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

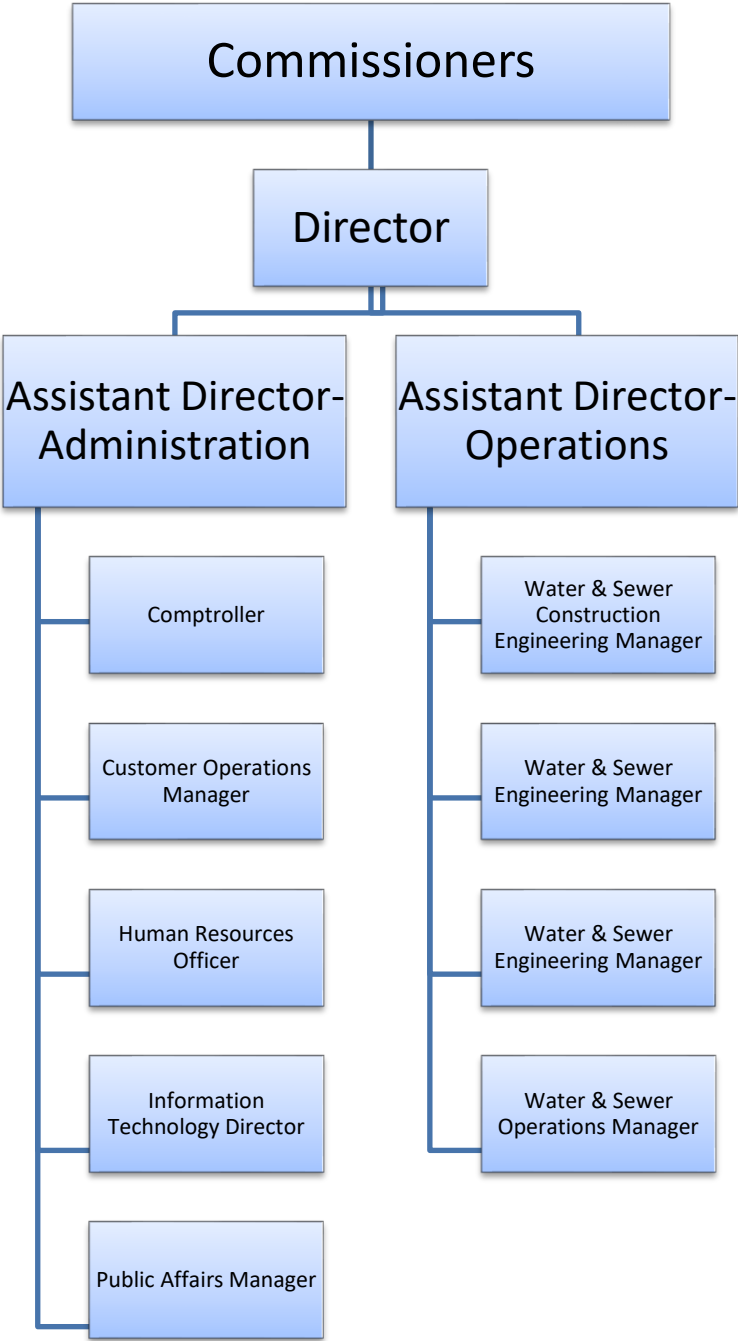
**Appointed Commissioners
December 31, 2019**

Kenneth W. Nichols	Chair December 13, 2016 to February 1, 2022
Walter A. Bell	Vice Chair September 13, 2016 to April 28, 2020
Sheri N. Weber	Secretary-Treasurer October 4, 2016 to October 1, 2022
Maynard V. Odom	Commissioner October 2, 2012 to October 1, 2018
Barbara Drummond	Commissioner February 4, 2014 to February 2, 2020
Samuel L. Jones	Commissioner June 3, 2014 to April 28, 2020
Thomas Zoghby	Commissioner May 29, 2018 to October 1, 2020

BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE

Organization Chart

December 31, 2019



**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

**Selected Administrative Staff
December 31, 2019**

Charles Hyland, Jr.	Director
Billy McCrory, Jr.	Assistant Director-Administration
Doug Cote	Assistant Director-Operations
Dedra Cassidey	Comptroller
Mitch Jackson	Customer Operations Manager
Sharon King	Human Resources Officer
Mahir Butt	Information Technology Director
Monica Allen	Public Affairs Manager
Vacant	Water and Sewer Construction Engineering Manager
Calressia Clark	Water and Sewer Engineering Manager
Daryl Russell	Water and Sewer Engineering Manager
Russell Lomax	Water and Sewer Operations Manager

FINANCIAL SECTION

Independent Auditor's Report

The Board of Commissioners
The Board of Water and Sewer Commissioners
of the City of Mobile, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type and fiduciary activities of The Board of Water and Sewer Commissioners of the City of Mobile, Alabama (the Board) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type and fiduciary activities of The Board of Water and Sewer Commissioners of the City of Mobile, Alabama as of December 31, 2019 and 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13 and the Schedule of Changes in the Net Pension Liability, the Schedule of Employer Contributions, the Schedule of Changes in the Board's Net OPEB Liability and Related Ratios, and the Schedule of Board Contributions on pages 53 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The introductory section, supplementary information section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedules presented in the supplementary information section and the schedule of expenditures of federal 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 our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated August 7, 2020 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Board's internal control over financial reporting and compliance.

Jackson Thornton & Co. PC

Montgomery, Alabama
August 7, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the financial performance of the Board of Water and Sewer Commissioners of the City of Mobile (the Board) provides an overview of the Board's financial activities for the year ended December 31, 2019. Please read it in conjunction with the transmittal letter, beginning on page i, and the Board's financial statements which begin on page 14.

Financial Highlights

The following are financial highlights of the Board for the year ending December 31, 2019:

- The assets and deferred outflows of resources of the Board exceeded its liabilities and deferred inflows of resources at the close of 2019 and 2018 by \$400.2 million (net position) and \$381.4 million (net position), respectively. Of these amounts, unrestricted net position was a deficit of \$(8.2) million and \$(6.4) million as of December 31, 2019 and 2018, respectively. The Board adopted both GASB Statement No. 74 and GASB Statement No. 75 dealing with OPEB reporting by recording the full OPEB liability as of January 1, 2017. As a result, a liability of \$14.8 million was recorded. As of the end of 2019, the unfunded portion is \$2.4 million. After adopting GASB Statement No. 68, which required the recording of the unfunded pension liability in the amount of \$31 million as of December 31, 2015, the Board had a negative unrestricted net position of \$(8.3) million as of December 31, 2015. However, the Board has designated a total of \$6.3 million over the past five years to offset this liability, and will continue to fund it in the 2020 Budget. The amount of the unfunded liability at the end of 2019 was \$29.3 million.
- The Board's net position increased by \$18.8 million during the current year and by the same amount during the prior year.
- Operating expenses decreased by \$1.6 million to \$83.8 million in 2019, or 1.9%. Supervision and general costs were reduced by \$2.3 million due to a reduction in the OPEB liability, offset by an increase in depreciation expense of \$.7 million. For the year 2018, expenses increased \$4.2 million, or 5.2%, due to increases in transmission and collection costs, supervision and general costs, and depreciation expense.

- Operating revenue increased by \$1.3 million in 2019, or 1.3%, due to increased revenues from a water and sewer rate increase. In 2019, the Board implemented an overall effective rate increase of 6.5%. Changes included adding both water and sewer capital improvement fees by meter size, as well as adopting a three-tiered declining block rate schedule instead of the historical four-tiered schedule. The actual realized effect of the rate increase of approximately 2.6% was offset by an addition to the allowance for doubtful accounts. For 2018, the Board passed a volumetric increase of less than 1%, but increases in fees to reflect the actual cost of services amounted to an overall increase of approximately 5%.
- Transfers to the Capital Improvement Fund accounts for capital projects totaled \$26.4 million in 2019 compared to \$19.8 million in 2018.

Overview of the Financial Statements

The Board's Annual Financial Report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and other supplementary information. The Board's basic financial statements are comprised of financial statements, notes to the financial statements, and required supplementary information.

Financial Statements. The *balance sheets* provide information on the Board's assets and deferred outflows of resources, and also on its liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the Board is improving or deteriorating.

The *statements of revenues, expenses, and changes in net position* show the business-type activity of the Board (water and wastewater) and provide information regarding income and expenses, both operating and non-operating, that affect net position. While income and direct expenses of the water system and wastewater system are shown separately, there are no external requirements to account for the activities separately. It is management's decision to report income and direct expenses separately in order to provide support for rates charged for services rendered.

The *statements of cash flows* report changes in cash from the prior year attributed to operating activities, capital and related financing activities, and investing activities. Operating income is reconciled to cash provided by operating activities. The statements, in addition to providing an explanation of changes in cash, help provide insight into future cash flows.

The *statements of fiduciary net position* and the *statements of changes in fiduciary net position* present information on the Board's Other Post-Employment Benefits (OPEB) Trust Fund. The *statements of fiduciary net position* include all assets and liabilities of the OPEB Trust Fund and provide a snapshot of the financial net position of the OPEB Trust Fund at year end. Assets are reduced by liabilities, as applicable, resulting in the net position held in trust for OPEB at year end. The *statements of changes in fiduciary net position* report all additions and deductions during the year for the OPEB Trust Fund. Additions are comprised primarily of employer contributions and investment income. Deductions consist of benefits paid and administrative expenses. The change in net position held in trust for OPEB plus the beginning net position held in trust for OPEB results in net position held in trust for OPEB at year end.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 21 to 52 of this report.

Required Supplementary Information. The *schedule of changes in net pension liability* and the *schedule of employer contributions* provide information on the Board's net pension liability as well as contributions made to the plan by the Board. These statements, arising from GASB 68 requirements, are discussed in detail in Note 5, and can be found following the Notes to the Financial Statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information that may be beneficial to the reader.

Financial Analysis

Net position may serve over time as a useful indicator of an entity's financial position. In the case of the Board, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$400.2 million at the end of 2019, \$381.4 million at the end of 2018, and \$362.6 million at the end of 2017.

Condensed Balance Sheets
(In Thousands)

	2019	2018	2017
	<u> </u>	<u> </u>	<u> </u>
Current assets	\$ 84,681	\$ 68,761	\$ 64,026
Noncurrent assets	73,137	65,052	33,072
Capital assets	<u>574,457</u>	<u>562,045</u>	<u>552,849</u>
Total assets	<u>732,275</u>	<u>695,858</u>	<u>649,947</u>
Deferred outflows of resources	<u>4,711</u>	<u>4,207</u>	<u>5,433</u>
Current liabilities	44,057	37,218	33,711
Noncurrent liabilities	<u>279,556</u>	<u>278,472</u>	<u>259,024</u>
Total liabilities	<u>323,613</u>	<u>315,690</u>	<u>292,735</u>
Deferred inflows of resources	<u>13,166</u>	<u>2,974</u>	<u>27</u>
Net position:			
Net investment in capital assets	382,855	364,662	352,048
Restricted	25,536	23,104	24,077
Unrestricted	<u>(8,184)</u>	<u>(6,365)</u>	<u>(13,506)</u>
Total net position	<u>\$ 400,207</u>	<u>\$ 381,401</u>	<u>\$ 362,619</u>

The largest portion of the Board's net position (95.7% in 2019, 95.6% in 2018, and 97.1% in 2017) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment) less any related outstanding debt used to acquire those assets. The Board uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the Board's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from user fees or other sources of revenue, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted Net Position includes funds restricted for debt service, construction, and capital improvements and replacements. The Board's *Master Trust Indenture* dated November 1, 2014, as supplemented, required the establishment of certain restricted accounts. In addition to accounts relating to bond construction and debt service, the Board is required to maintain the Capital Improvement Fund, previously known as the General Reserve and Repair and Replacement Fund. Monies deposited into the Capital Improvement Fund accounts are used to fund pay-as-you-go projects, extraordinary repairs and maintenance, and if needed, debt service obligations. Over the past five years, the Board has budgeted an average of \$19.6 million annually for pay-as-you-go projects and major repairs and replacements to the system. The Board transferred \$26.4 million from the Operating account to the Capital Improvement Fund account in 2019 compared to \$19.8 million in 2018 and \$19.1 million in 2017.

The Board's Unrestricted Net Position decreased by \$1.8 million during 2019 compared to an increase of \$7.1 million in 2018. The 2019 and 2018 rate increases were a positive factor in both the current and prior years. However, the effects of the 2019 increase was offset by an increase in OPEB related Deferred Inflows of Resources of \$10.0 million. Operating Revenues and Expenses for each of the two years are discussed below.

The following condensed statements of revenues, expenses, and changes in net position show the results of operations for the current and prior two years. The Board is a separate entity from the City of Mobile, and as such, is not included as a part of the financial statements of the City of Mobile.

Condensed Statements of Revenues, Expenses, and Changes in Net Position
(In thousands)

	2019	2018	2017
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Operating revenues, pledged as security:			
Water sales	\$ 42,539	\$ 43,189	\$ 39,948
Sewer charges	66,699	64,699	60,670
Total operating revenues	<u>109,238</u>	<u>107,888</u>	<u>100,618</u>
Non-operating revenues:			
Investment earnings	1,430	1,006	541
Miscellaneous and sale of property	913	1,022	981
Total non-operating revenues	<u>2,343</u>	<u>2,028</u>	<u>1,522</u>
Total revenues	111,581	109,916	102,140
EXPENSES			
Operating expenses:			
Water and sewer services	37,438	37,002	35,949
Support services	4,943	4,852	4,356
Supervision and general expenses	17,362	19,702	16,930
Restricted accounts expenses	930	1,466	2,314
Depreciation expense	23,157	22,446	21,685
Total operating expenses	<u>83,830</u>	<u>85,468</u>	<u>81,234</u>
Non-operating expenses	<u>9,151</u>	<u>7,506</u>	<u>5,457</u>
Total expenses	<u>92,981</u>	<u>92,974</u>	<u>86,691</u>
Income before contributions	18,600	16,942	15,449
Capital grants and contributions	<u>206</u>	<u>1,840</u>	<u>1,494</u>
Change in net position	18,806	18,782	16,943
Net position - beginning of year	<u>381,401</u>	<u>362,619</u>	<u>345,676</u>
Net position - end of year	<u><u>\$ 400,207</u></u>	<u><u>\$ 381,401</u></u>	<u><u>\$ 362,619</u></u>

Net position increased by \$18.8 million in 2019 over 2018 and by the same amount the year before. Key elements of the changes are as follows:

Revenue:

- Operating revenues increased by \$1.3 million in 2019, or 1.3%. Total potable water sold decreased by 160.6 billion gallons, or 1.4%. This decrease in consumption, combined with decreases in both revenues from raw water sales and miscellaneous fees and charges, offset the revenues gained as a result of the rate increase. Potable water sales increased by .4% while sewer services were up by 3.4%. There was a \$.4 million increase in investment earnings for 2019.
- For 2018, operating revenues increased by \$7.3 million over the prior year. Total water sold for 2018 reflected an increase of 495 billion gallons, or 4.6%. This increase in consumption, combined with the increased fees and charges set by the Board, resulted in the increase of 7.2%. Revenues from potable water sales and wastewater treatment were up 7.0% and 6.7%, respectively, while revenues from industrial water accounts were up 20%. Non-operating revenues increased by \$.5 million, which was almost all due to investment earnings.

Expenses:

- In 2019, the decrease of \$1.6 million in operating expenses is due to a decrease of (\$2.3) million to the Board's OPEB expenses, offset by an increase of \$.7 million in depreciation. Water and sewer services increased by \$.4 million, while expenses of the capital improvement fund accounts decreased by \$.5 million. Non-operating expenses increased by \$1.3 million due to a loss of \$1.2 million on the partial disposal of its grease treatment facility. However, \$.7 million of additional items at the facility have been repurposed and are still in use.
- Operating expenses increased by \$4.2 million, or 5.2% in 2018. This increase was mainly due to increases of \$1.0 million in water and sewer service expenses, namely the costs transmission and collection, and \$2.8 million in supervision and general expenses. Non-operating expenses increased by \$2.0 million due to increased bond interest expense. This was a result of the two additional SRF loans that were closed in 2018. Details on this can be found in Note 8.

Capital grants and contributions:

- The Board received a capital grant of \$.1 million in 2019, plus another \$.1 million in contributions for water and sewer lines accepted.
- In 2018, total capital grants and contributions increased by \$.3 million. There was a decrease in contributions of lines and extensions of \$.2 million, offset by principal forgiveness on the 2018 CWSRF loan of \$.5 million.

Capital Asset and Debt Administration

Capital assets. The Board's investment in capital assets as of December 31, 2019, and 2018 amounted to \$574.5 million and \$562.0 million, respectively, net of accumulated depreciation. The investment in capital assets includes land, buildings, infrastructure, machinery and equipment, and timber rights. During 2019, the total increase in the Board's net investment in capital assets was 2.2% compared to the 2018 increase of 1.7%. Construction project commitments at the end of the year totaled \$48.7 million for 2019 compared to \$4.4 million for 2018. Several large projects identified by the master plan were bid and awarded in 2019; notably the Three Mile Creek severe weather attenuation basin (\$13.9 million) and Three Mile Creek sanitary sewer upgrades (\$18.2 million). A listing of capital project expenditures for 2019 is included in the statistical section.

Major capital asset events during the current fiscal year included the following:

- Sewer rehabilitation projects accounted for the majority of capital expenditures. A total of \$17,145,790 was spent in 2019 and allocated as follows:
 - Sewer line, mains, and manhole rehabilitation/replacement, \$8,844,345
 - Sewer lift station and decentralization system improvements, \$1,070,459
 - Sewer plant improvements and miscellaneous costs, \$2,388,360
 - Severe Weather Attenuation Basins, \$4,842,626
- Water-related project costs for 2019 totaled \$12,042,240. The following items are included in these costs:
 - Advanced metering infrastructure, \$9,308,676
 - Water line extensions and improvements, \$2,693,684
 - Water tank painting and repair, 39,880
- Other capital expenditures amounted to \$3,207,492 during 2019 and include the following:
 - Water and sewer combined extensions, \$1,871,812
 - Utility Relocations, and other miscellaneous, 1,335,680
- Major projects completed and capitalized during 2019 include the following:
 - Halls Mill Severe Weather Attenuation Basin, \$8,686,931
 - C.C. Williams WWTP Headworks and Primary Clarifier, \$31,349,690
 - Japonica Lane Sewer and Carondelet Court Sewer Improvements, \$1,167,342
 - Medal of Honor Tank Painting, \$1,384,165

During 2018, major capital assets events included sewer rehabilitation projects in the amount of \$17,687,474, water-related project costs totaling \$7,078,385, and other capital expenditure amounts of \$1,659,955.

Capital Assets
(net of accumulated depreciation)

	2019	2018	2017
Water and sewer systems	\$ 478,255,236	\$ 443,071,940	\$ 436,459,641
Vehicles	3,738,239	4,031,095	4,092,772
Equipment and furnishings	8,015,616	8,568,099	7,965,995
Buildings and improvements	19,544,249	20,086,800	20,350,246
Land	10,385,281	9,447,188	8,842,146
Timber rights and other intangibles	1,115,033	1,234,515	737,658
Construction in progress	53,403,530	75,605,016	74,400,487
Total	<u>\$ 574,457,184</u>	<u>\$ 562,044,653</u>	<u>\$ 552,848,945</u>

Additional information on the Board's capital assets can be found in Note 3, beginning on page 30 of this report.

Long-term debt. At December 31, 2019, the Board had total long-term debt outstanding of \$262.1 million versus \$246.3 million in 2018, an increase of 6.4%. This increase is due to the addition of a \$10,010,000 CWSRF loan and a \$20,010,000 DWSRF loan less combined reductions of \$14.2 million. The State Revolving fund bonds are subordinate to the Revenue Bonds. All bond debt covenants have been met.

At December 31, 2018, the Board had total long-term debt outstanding of \$246.3 million versus \$223.4 million in 2018, an increase of 10.3%. This increase is due to the addition of a \$31,510,000 CWSRF loan and a \$7,510,000 DWSRF loan less combined reductions of approximately \$16.1 million.

The Board's revenue bond rating from Standard & Poor's is an AA, stable outlook. The rating from Moody's is Aa3.

Additional information on the Board's long-term debt can be found in Note 8, beginning on page 46 of this report.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate at December 31, 2019: Mobile area at 3.2%, compared to the State of Alabama and the nation at 2.7% and 3.5%, respectively
- Identified capital project needs and anticipated repairs and maintenance to the system
- Estimated customer growth/new development; business additions and/or closures
- MAWSS' rates compared to similar systems' rates
- Weather trends
- Customer usage patterns; impact of an approved rate increase on consumption

The Board has approved a 6.5% volumetric rate increase for 2020, but this is currently being evaluated again due to the effects of COVID-19 on the economy and customers in the Mobile area.

The Board continues striving to find innovative ways of reducing the cost of service while improving customer services and protecting the environment. It is an ongoing challenge to meet the demands of replacing an aging infrastructure, while at the same time providing affordable water and sewer services.

Request for Information

This financial report is designed to provide a general overview of the Board's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Comptroller, P.O. Box 180249, Mobile, AL, 36618-0249.

BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE

BALANCE SHEETS AT
DECEMBER 31, 2019 AND 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2019	2018
CURRENT ASSETS		
Cash and equivalents	\$ 32,381,581	\$ 18,138,782
Investments	4,236,478	7,525,029
Restricted cash and cash equivalents:		
Revenue bond covenant accounts	14,275,185	11,635,101
Capital improvement funds, partially restricted	14,972,932	14,905,382
Receivables:		
Interest receivable, unrestricted	34,526	78,275
Interest receivable, restricted	41,757	111,218
Billed user charges, net of allowance of \$1,835,974 and \$345,959	7,850,162	7,436,720
Unbilled user charges	4,411,939	4,696,976
Contracts receivable, net of allowance of \$108,245 and \$109,993	8,049	8,124
Miscellaneous	121,523	98,586
Inventory of materials, chemicals and supplies - at cost	5,176,941	3,155,543
Prepaid expenses	1,170,003	972,203
Total current assets	<u>84,681,076</u>	<u>68,761,939</u>
NONCURRENT ASSETS		
Investments	1,618,502	15,594,286
Receivable from Alabama Dept of Environmental Mgmt (ADEM), restricted	67,847,466	45,917,698
Capital assets:		
Utility plant and equipment	946,946,469	890,701,708
Less accumulated depreciation	<u>436,278,096</u>	<u>413,709,259</u>
	510,668,373	476,992,449
Land	10,385,281	9,447,188
Construction in progress	<u>53,403,530</u>	<u>75,605,016</u>
Total capital assets (net of accumulated depreciation)	<u>574,457,184</u>	<u>562,044,653</u>
Unamortized regulatory asset	<u>3,670,444</u>	<u>3,539,613</u>
Total noncurrent assets	<u>647,593,596</u>	<u>627,096,250</u>
TOTAL ASSETS	<u>732,274,672</u>	<u>695,858,189</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow, bond refunding	2,631,419	3,035,516
Pension related	<u>2,079,269</u>	<u>1,171,817</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>4,710,688</u>	<u>4,207,333</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 736,985,360</u></u>	<u><u>\$ 700,065,522</u></u>

The accompanying notes are an integral part of these financial statements.

BALANCE SHEETS - CONTINUED

LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND NET POSITION

	2019	2018
CURRENT LIABILITIES		
Accounts payable	\$ 11,467,918	\$ 7,708,728
Accrued payroll and related withholdings	787,439	682,119
Compensated absences - current portion	3,196,829	2,585,437
Customer meter deposits	5,270,700	5,157,966
Contingent insurance liability	2,589,870	2,554,040
Contracts and retainages payable	621,042	1,234,615
Interest payable, funded by restricted assets	3,754,090	3,546,906
Current maturities of revenue bonds payable	16,369,212	13,748,231
Total current liabilities	44,057,100	37,218,042
NONCURRENT LIABILITIES		
Revenue bonds payable	245,711,743	232,587,628
Compensated absences - long-term portion	2,151,633	2,356,913
Net pension liability	29,293,515	28,743,743
Other postemployment benefits	2,398,682	14,783,864
Total noncurrent liabilities	279,555,573	278,472,148
TOTAL LIABILITIES	323,612,673	315,690,190
DEFERRED INFLOWS OF RESOURCES		
Pension related	3,101,666	2,952,341
Other postemployment benefit related	10,064,373	21,535
Total deferred inflows of resources	13,166,039	2,973,876
NET POSITION		
Net investment in capital assets	382,855,114	364,662,008
Restricted for		
Debt service	10,535,784	8,104,795
Other bond covenants	15,000,000	15,000,000
Unrestricted	(8,184,250)	(6,365,347)
TOTAL NET POSITION	400,206,648	381,401,456
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 736,985,360	\$ 700,065,522

BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE

STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

OPERATING REVENUES PLEDGED AS SECURITY FOR REVENUE BONDS	<u>2019</u>	<u>2018</u>
Water sales	\$ 42,539,290	\$ 43,189,371
Sewer charges	66,698,585	64,699,127
Total operating revenues	<u>109,237,875</u>	<u>107,888,498</u>
 OPERATING EXPENSES		
Water supply	1,878,277	1,874,955
Water treatment	6,456,684	6,365,605
Wastewater treatment	7,506,824	7,677,924
Transmission and collection	21,595,487	21,083,636
Support services	4,943,279	4,852,226
Supervision and general	17,362,468	19,702,151
Capital improvement fund accounts	929,740	1,465,627
Depreciation	23,156,895	22,446,265
Total operating expenses	<u>83,829,654</u>	<u>85,468,389</u>
 OPERATING INCOME	<u>25,408,221</u>	<u>22,420,109</u>
 NON-OPERATING REVENUES (EXPENSES)		
Investment earnings	1,429,807	1,006,525
Miscellaneous rentals and sale of property	913,214	1,021,891
Loss on disposal of assets	(1,173,661)	(4,274)
Bond interest expense	(7,958,328)	(7,481,890)
Bond issuance costs	(20,000)	(20,000)
Total non-operating expenses	<u>(6,808,968)</u>	<u>(5,477,748)</u>
 INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	18,599,253	16,942,361
 CAPITAL GRANTS AND CONTRIBUTIONS	<u>205,939</u>	<u>1,839,914</u>
 CHANGE IN NET POSITION	18,805,192	18,782,275
 TOTAL NET POSITION - BEGINNING OF YEAR	<u>381,401,456</u>	<u>362,619,181</u>
 TOTAL NET POSITION - END OF YEAR	<u>\$ 400,206,648</u>	<u>\$ 381,401,456</u>

The accompanying notes are an integral part of these financial statements.

BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES		
Receipts from customers and users	\$ 108,984,338	\$ 107,383,739
Payments to suppliers	(38,561,249)	(44,794,047)
Payments to employees	(23,319,359)	(21,502,364)
Net cash from operating activities	<u>47,103,730</u>	<u>41,087,328</u>
CASH FLOWS FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets and payments on construction projects	(35,363,487)	(30,302,059)
Proceeds from bonds	8,090,232	12,802,785
Principal paid on bonds	(13,748,231)	(15,605,126)
Interest paid on bonds	(7,873,720)	(4,767,884)
Bond issuance costs	(20,000)	(20,000)
Proceeds from sale of capital assets	67,767	69,086
Net cash used for capital and related financing activities	<u>(48,847,439)</u>	<u>(37,823,198)</u>
CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	20,307,897	2,966,685
Purchases of investments	(3,043,562)	(7,196,576)
Interest and dividends received	1,429,807	1,006,525
Net cash from (used for) investing activities	<u>18,694,142</u>	<u>(3,223,366)</u>
Net increase in cash and equivalents	16,950,433	40,764
Cash and equivalents, beginning of year - restricted and unrestricted	<u>44,679,265</u>	<u>44,638,501</u>
Cash and equivalents, end of year - restricted and unrestricted	<u>\$ 61,629,698</u>	<u>\$ 44,679,265</u>

The accompanying notes are an integral part of these financial statements.

BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF CASH AND EQUIVALENTS PER STATEMENTS OF CASH FLOWS TO BALANCE SHEETS:		
Cash and equivalents, beginning of year:		
Current	\$ 18,138,782	\$ 18,197,415
Restricted	26,540,483	26,441,086
Total	<u>44,679,265</u>	<u>44,638,501</u>
Net increase (decrease):		
Current	14,242,799	(58,633)
Restricted	2,707,634	99,397
Total	<u>16,950,433</u>	<u>40,764</u>
Cash and equivalents, end of period:		
Current	32,381,581	18,138,782
Restricted	29,248,117	26,540,483
Total	<u>\$ 61,629,698</u>	<u>\$ 44,679,265</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	<u>\$ 25,408,221</u>	<u>\$ 22,420,109</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	23,156,895	22,446,265
Bad debts	1,790,462	455,791
Miscellaneous income (expense)	(328,214)	948,531
(Increase) decrease in receivables	(1,715,860)	(1,914,653)
(Increase) decrease in contracts receivable	75	5,572
(Increase) decrease in inventories	(2,021,398)	(1,467,614)
(Increase) decrease in prepaid expenses	(197,800)	(204,963)
(Increase) decrease in regulatory asset	(130,831)	(2,477,101)
Increase (decrease) in payables	3,145,617	(751,562)
Increase (decrease) in compensated absences	511,432	1,485,435
Increase (decrease) in contingent insurance liability	35,830	613,779
Increase (decrease) in other postemployment benefits	(2,342,344)	19,678
Increase (decrease) in pension liabilities	(208,355)	(491,939)
Total adjustments	<u>21,695,509</u>	<u>18,667,219</u>
Net cash provided by operating activities	<u>\$ 47,103,730</u>	<u>\$ 41,087,328</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Lines accepted and contributions for extensions	\$ 205,939	\$ 1,839,914
Approved but unadvanced bonds	30,000,000	39,500,000

The accompanying notes are an integral part of these financial statements.

BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE

STATEMENTS OF FIDUCIARY NET POSITION
MAWSS OPEB TRUST FUND
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 298,020	\$ 419,163
Receivables		
Contributions receivable	287,060	
Accrued income	44,883	42,457
Total receivables	<u>331,943</u>	<u>42,457</u>
Investments at fair value		
Equities		
Common Stock	4,603,108	4,188,765
Mutual Funds - equity	2,476,110	2,198,412
Fixed income securities		
US Government obligations	1,505,577	1,393,466
Mortgage backed securities	2,515,249	2,031,092
Corporate bonds	3,085,966	2,966,743
Mutual Funds - fixed income	359,467	335,505
International		
Foreign stock	239,129	245,603
Mutual Funds - International	813,834	768,388
Total investments	<u>15,598,440</u>	<u>14,127,974</u>
TOTAL ASSETS	<u>\$ 16,228,403</u>	<u>\$ 14,589,594</u>
NET POSITION		
Net position restricted for OPEB	<u>\$ 16,228,403</u>	<u>\$ 14,589,594</u>

The accompanying notes are an integral part of these financial statements.

BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
MAWSS OPEB TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ADDITIONS		
Employer contributions	\$ 608,327	\$ 1,859,437
Investment income		
Dividends	149,067	229,343
Interest	199,482	105,276
Realized gain	437,030	242,346
Net appreciation (depreciation) in FV of investments	1,696,422	(1,092,051)
Investment expense	(75,395)	(60,303)
Capital gain distributions	129,709	158,047
Other gain	6,578	-
Net investment (loss) income	<u>2,542,893</u>	<u>(417,342)</u>
Total additions	<u>3,151,220</u>	<u>1,442,095</u>
DEDUCTIONS		
OPEB benefits paid	1,394,983	1,245,337
Insurance expenses	117,428	90,467
Total deductions	<u>1,512,411</u>	<u>1,335,804</u>
NET INCREASE IN NET POSITION	1,638,809	106,291
NET POSITION RESTRICTED FOR OPEB BEGINNING OF YEAR	<u>14,589,594</u>	<u>14,483,303</u>
NET POSITION RESTRICTED FOR OPEB END OF YEAR	<u>\$ 16,228,403</u>	<u>\$ 14,589,594</u>

The accompanying notes are an integral part of these financial statements.

THE BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. Summary of Significant Accounting Policies

Reporting Entity

The accompanying financial statements present the activities of the Board of Water and Sewer Commissioners of the City of Mobile (the “Board”). The Board is a public agency or instrumentality existing under the provisions of Act No. 775 adopted at the 1951 Regular Session of the Legislature of Alabama, as amended, which has been recodified as Code of Alabama 1975, Sections 11-50-340 through 11-50-358, as amended, and by an ordinance adopted by the governmental body of the City of Mobile on September 18, 1952. The Board provides water and wastewater services for the City of Mobile and the surrounding area. The Board is composed of seven (7) board members who serve staggered six (6) year terms.

The Board is a separate governmental unit granted independent authority by the State of Alabama General Statutes. The Board does not receive funding from the state or any other local government.

The Board has business activities for the provision of water and sewer services. It is fiscally independent, has the authority to set its own budget, set rates, and issue debt in its own name without the approval of any other governing body. Operations are funded through water and sewer usage fees.

The Board has a fiduciary fund for which it is responsible. The Board established the fiduciary fund to provide assets in trust to meet future other postemployment benefit (OPEB) obligations.

Related Organization

The city council members of the City of Mobile, Alabama are responsible for appointing the seven members of the Board. However, they do not have the power to impose their will upon the members of the Board.

The Board’s financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Under provisions of GASB, the Board is considered a special-purpose government and is not a component unit of any other entity. The Board’s financial statements include both the business activities and fiduciary activities of the Board.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting using governmental accounting standards applicable to an enterprise fund for business activities and to fiduciary funds for the Board’s OPEB trust fund.

THE BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Adoption of New Accounting Pronouncements – GASB Pronouncements that have been issued and were effective for the Board’s year ended December 31, 2019

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement is effective for years beginning after June 15, 2018. This statement has no impact on the financial statements of the Board.

GASB Statement No. 88, *Certain Disclosures related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement is effective for reporting periods beginning after June 15, 2018. This statement has no impact on the financial statements of the Board.

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement is to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for reporting periods beginning after December 15, 2018. This statement has no impact on the financial statements of the Board.

Future Adoption of New Accounting Pronouncements - GASB Pronouncements that have been issued but are not yet effective at December 31, 2019

GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement is effective for years beginning after December 15, 2019. The Board is currently evaluating the impact, if any, that GASB 84 will have on its financial statements.

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GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. The Board is currently evaluating the impact, if any, that GASB 87 will have on its financial statements.

The Board will implement the new GASB pronouncements in the year no later than the required effective date. The Board has not yet determined if the above listed new GASB pronouncements will have a significant financial impact to the Board or in issuing its financial statements.

Cash and Equivalents

The Board's cash and equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including amounts held in revenue bond covenant accounts.

Investments

The Board's *Master Trust Indenture* authorizes the Board to invest in obligations of the U.S. Treasury, commercial paper, certificates of deposit, repurchase agreements, and federal obligations and agencies. Any stock owned by the Board was given to the Board either when the company went public or in settlement of an outstanding obligation.

Investments are stated at fair value primarily based on bid price at the end of the year.

Valuation of Accounts Receivable

Accounts receivable consist of amounts due from customers primarily for water and sewer charges and are stated at face amount net of an allowance for doubtful accounts of \$1,944,219 and \$455,952 as of December 31, 2019 and 2018, respectively. The Board performs credit evaluations and requires meter deposits. The allowance for doubtful accounts is estimated by analysis of accounts receivable balances exceeding 60 days outstanding and historical collection trends. Unbilled receivables represent income earned during the current year but not yet billed. Receivables from Alabama Department of Environmental Management (ADEM) associated with the State Revolving Fund (SRF) Bonds discussed in Note 8 were recorded at the same time as the bond issuance.

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Inventory of Materials, Chemicals, and Supplies

Inventories are held for supply purposes. The inventories of materials, chemicals and supplies are stated at cost, which is determined primarily by the average cost method. Inventory items are recorded as expenses when consumed rather than when purchased.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Restricted Assets

Certain proceeds of the Board's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank or trust accounts and their use is limited by applicable bond covenants. Payment of restricted liabilities is funded by these restricted assets. These liabilities are classified as either as funded or partially funded by restricted assets on the balance sheet.

The *Master Trust Indenture* dated November 1, 2014 provides for the establishment of separately named accounts including the following: Bond Fund accounts, Reserve Fund accounts, Subordinated Debt Fund accounts, and a Capital Improvement Fund account. The Bond Fund accounts include a separate trust account for each series of bonds outstanding. The money in each such account is used to pay the principal and interest on the respective series of bonds as they become due and payable. The Reserve Fund accounts include a separate trust account for each series of bonds for which such account is provided for in a Supplemental Indenture. The Subordinated Debt Fund accounts include a separate trust account for each separate issue of Subordinated Debt. The money contained in each account shall be used only to pay the principal and interest for each such issue. There is a special trust fund account designated as the Capital Improvement Fund account. Money in this fund is used only for the purpose of paying the costs of capital improvements or capital-related costs. Only to the extent necessary to prevent an event of default will the money in the Capital Improvement Fund account be used to make required principal and interest payments.

Under the Series 2014 Supplemental Indenture, a Construction Fund trust account was established to report the proceeds of the bond issue that are restricted for use in construction or capital purchases. If the Capital Improvement Fund account pays for construction that will ultimately be repaid by the Construction Fund account, this is recorded as Due To/Due From Other Accounts. When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, and then unrestricted resources as they are needed.

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The following is a schedule of restricted assets and liabilities at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash and equivalents	\$ 29,248,117	\$ 26,540,483
Interest receivable	41,757	111,218
Total restricted assets	<u>\$ 29,289,874</u>	<u>\$ 26,651,701</u>
Liabilities		
Current liabilities		
Interest payable	\$ 3,754,090	\$ 3,546,906
Total restricted liabilities	<u>3,754,090</u>	<u>3,546,906</u>
Net position		
Debt service	10,535,784	8,104,795
Other bond covenants	15,000,000	15,000,000
Total restricted net position	<u>25,535,784</u>	<u>23,104,795</u>
Total restricted liabilities and net position	<u>\$ 29,289,874</u>	<u>\$ 26,651,701</u>

Capital Assets and Accumulated Depreciation

The practice of the Board is to capitalize expenditures for property, plant additions and improvements, equipment, infrastructure, and intangible assets. Capital assets are defined by the Board as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the books and any resulting gain or loss is recognized in non-operating revenue for the year. Contributions of property are recorded at the contributor's cost, which approximates acquisition value by the Board. The cost of normal maintenance and repairs is charged to operations as incurred and significant renewals and betterments are capitalized.

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Provision for depreciation of capital assets is made on a basis considered adequate to amortize the cost of depreciable assets over their estimated useful lives. Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives presented in years:

Buildings	50
Building improvements	15 - 20
Water infrastructure	50
Sewer infrastructure	24 - 50
Vehicles, equipment, furniture	5 - 10
Timber rights	40

Capital assets acquired with resources externally restricted for capital acquisition (e.g., capital grants) and contributions of lines from external sources are recorded as capital contributions.

Capital assets having an indefinite useful life, such as land and easements, are capitalized but not amortized.

Deferred Outflows and Inflows of Resources

The balance sheet reports deferred outflows of resources separately from assets. Deferred outflows represent decreases in net position to be amortized over future periods. These outflows will not be recognized as such until the applicable future period.

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that apply to future periods. These items will not be recognized as inflows of resources until the applicable future period.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Board's Retiree Benefits Plan and additions to/deductions from the Board's fiduciary net position have been determined on the same basis as they are reported by the Board. For this purpose, the Board recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Bond Discounts, Premiums, and Issuance Costs

Debt issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred. Prepaid insurance costs are reported as an asset and recognized as an expense in a systematic and rational manner over the duration of related debt.

Bond discount and premiums are presented as a reduction/addition to the face amount of the bonds payable and amortized over the life of the related debt using the interest method.

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Gains and losses upon refinancing of long-term debt are captured as deferred inflows or outflows and amortized over the shorter of the remaining life of the old debt refinanced or the life of the new debt issued. Amortization of gains and losses related to the refinancing of long-term debt is recognized on a straight-line basis.

Compensated Absences

The Board's policy is to permit employees to accumulate earned but unused vacation and sick leave, which will be paid to employees upon separation from the Board's service. All vacation pay is accrued when earned. For employees hired prior to January 1, 2013, seventy-five percent (75%) of sick leave is payable only to those retiring from the system after twenty-five years of service at any age or age sixty with ten years of service. For those employees hired beginning January 1, 2013, the requirements are age sixty-two with ten years of service.

Customer deposits

Customer meter deposits are recorded as a liability, until such time they are refunded. GASB requires the cash related to customer meter deposits be presented as a restricted asset. The Board considers \$5,270,700 and \$5,157,966 of its investments as of December 31, 2019 and 2018 as being restricted for customer deposits.

Net position

Net position is divided into three components:

Net investment in capital assets - consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted - consist of net position that is restricted by the Board's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors (including those who have donated to the Board).

Unrestricted - all other net position is reported in this category.

Recognition of revenue

Business activity revenues are recognized when water is used by the customer or services are provided to the customer. Meters are read throughout the month.

Fiduciary fund revenues are recognized when earned. Earned revenues include the change in fair value of investments for the reporting period as all investments are carried at fair value in the statement of fiduciary net position.

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Operating Revenues and Expenses

Operating revenues and expenses result from providing water and wastewater services, which are the Board's principal ongoing operations. The Board also recognizes connection charges and capacity fees to connect to the system as operating revenues. Operating expenses include the costs to provide these services, administrative costs, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Taxes

The Board is not subject to federal and state income taxes. The Board collects utility taxes from its customers on behalf of the State of Alabama. Revenue is presented net of taxes collected in the statement of revenues and expenses.

Estimates

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

Pension Plan

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

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. Deposits and Investments

Interest rate risk. The Board manages its exposure to fair value losses arising from increasing interest rates by limiting the investment period to five years or less for most accounts or having an average maturity life of five years or less, based on cash flow needs. The Board's policy is that investment securities shall mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such funds.

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Credit risk. As a general rule, the Board's investment policy is to apply the prudent-person rule. Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. During the year, the Board's investments in bonds of U.S. Government Agencies were rated AA+ by Standard and Poor's, and Aaa by Moody's Investors Service.

Concentration of credit risk. The Board's investment policy places no limit on the amount the Board may invest in any one issuer.

Custodial credit risk – deposits. In the case of deposits, this is the risk that, in the event of a bank failure, the Board's deposits may not be returned to it. The Board requires each depository to be a bank or trust company having capital stock, surplus, and undivided earnings of \$50 million or more. All moneys held in deposit shall be insured or collateralized under the Security for Alabama Funds Enhancement ("SAFE") Program, a mandatory pooled custody account administered by the Alabama State Treasurer for all Alabama public deposits. Each of the banks holding the Board's deposits is a certified participant in the SAFE program through a collateral pool administered by the Alabama State Treasurer. The Board's policy allows the purchase of certificates of deposit from a bank that has a combined capital, surplus and undivided profits of not less than \$3 million and whose deposits are fully insured or collateralized under the SAFE Program.

Custodial credit risk – investments. In the case of investments this is the risk that, in the event of the failure of the counter party (e.g. broker – dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Board's investment policy contains legal and policy requirements that would limit the exposure to custodial credit risk for investments.

Fair value disclosures. Investments are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is described as an exit price.

Recurring fair value measurements are those that the GASB requires or permits in the balance sheet at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value.

- Level 1 – Inputs based on quoted prices for identical assets
- Level 2 – Inputs are significant other observable inputs
- Level 3 – Inputs are significant unobservable inputs

The fair value measurements of the Board's investments at December 31, 2019 and 2018 are as follows:

2019	Level 1	Total
U.S. Treasury Notes	\$ 2,575,349	\$ 2,575,349
U.S. Government Agencies	967,365	967,365
Certificates of Deposit	2,312,266	2,312,266
Total	<u>\$ 5,854,980</u>	<u>\$ 5,854,980</u>

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2018	Level 1	Total
U.S. Treasury Notes	\$ 6,704,548	\$ 6,704,548
U.S. Government Agencies	12,985,964	12,985,964
Certificates of Deposit	3,428,803	3,428,803
Total	<u>\$ 23,119,315</u>	<u>\$ 23,119,315</u>

The fair value measurements of investments held by the Board's OPEB Trust at December 31, 2019 and 2018 are as follows:

2019	Level 1	Level 2	Total
Common Stock	\$ 4,608,655		\$ 4,608,655
Mutual Funds - Equity	2,476,110		2,476,110
U.S. Government Obligations	1,512,528		1,512,528
Mortgage Backed Securities		\$ 2,522,110	2,522,110
Corporate Bonds		3,110,439	3,110,439
Mutual Funds – Fixed Income	360,074		360,074
Foreign Stock	239,129		239,129
Mutual Funds – International	814,278		814,278
Total	<u>\$10,010,774</u>	<u>\$5,632,549</u>	<u>\$15,643,323</u>

2018	Level 1	Level 2	Total
Common Stock	\$ 4,193,607		\$ 4,193,607
Mutual Funds - Equity	2,198,412		2,198,412
U.S. Government Obligations	1,399,987		1,399,987
Mortgage Backed Securities		\$ 2,037,156	2,037,156
Corporate Bonds		2,991,279	2,991,279
Mutual Funds – Fixed Income	335,505		335,505
Foreign Stock	245,603		245,603
Mutual Funds – International	768,882		768,882
Total	<u>\$9,141,996</u>	<u>\$5,028,435</u>	<u>\$14,170,431</u>

3. Capital Assets and Accumulated Depreciation

Major outlays for capital assets and improvements are capitalized during project construction. The Board adopted the provisions of GASB Statement No. 89 during 2018, which allows the Board to expense interest during the construction phase of capital assets as incurred.

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Capital asset activity for the year ended December 31, 2019 and 2018 is as follows:

<u>Capital Assets</u>	<u>1/1/2019</u>	<u>Additions</u>	<u>Transfers / Deletions</u>	<u>12/31/2019</u>
Capital assets not being depreciated				
Land	\$9,447,188	\$938,093	-	\$10,385,281
Construction in progress	75,605,016	32,388,827	\$ 54,590,313	53,403,530
Total capital assets not being depreciated	85,052,204	33,326,920	54,590,313	63,788,811
Capital assets being depreciated				
Buildings and improvements	28,420,366	169,990	-	28,590,356
Equipment and furniture	35,228,550	1,524,710	28,905	36,724,355
Vehicles	12,876,274	952,753	358,910	13,470,117
Water and sewer systems	809,986,007	55,225,780	1,373,904	863,837,883
Timber rights and other intangibles	4,190,511	133,247	-	4,323,758
Total capital assets being depreciated	890,701,708	58,006,480	1,761,719	946,946,469
Less accumulated depreciation				
Buildings and improvements	8,333,566	712,541	-	9,046,107
Equipment and furniture	26,660,450	2,077,194	28,905	28,708,739
Vehicles	8,845,179	1,245,609	358,910	9,731,878
Water and sewer systems	366,914,068	18,868,822	200,243	385,582,647
Timber rights and other intangibles	2,955,996	252,729	-	3,208,725
Total accumulated depreciation	413,709,259	23,156,895	588,058	436,278,096
Total capital assets being depreciated, net	476,992,449	34,849,585	1,173,661	510,668,373
Capital assets, net	\$562,044,653	\$68,176,505	\$55,763,974	\$574,457,184

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<u>Capital Assets</u>	<u>1/1/2018</u>	<u>Additions</u>	<u>Transfers / Deletions</u>	<u>12/31/2018</u>
Capital assets not being depreciated:				
Land	\$8,842,146	\$605,042	-	\$9,447,188
Construction in progress	74,400,487	26,607,053	\$ 25,402,524	75,605,016
Total capital assets not being depreciated	83,242,633	27,212,095	25,402,524	85,052,204
Capital assets being depreciated:				
Buildings and improvements	27,954,530	465,836	-	28,420,366
Equipment and furniture	32,600,063	2,969,340	340,853	35,228,550
Vehicles	12,035,193	978,567	137,486	12,876,274
Water and sewer systems	785,009,796	24,976,211	-	809,986,007
Timber rights and other intangibles	3,510,543	679,968	-	4,190,511
Total capital assets being depreciated	861,110,125	30,069,922	478,339	890,701,708
Less accumulated depreciation:				
Buildings and improvements	7,604,284	729,282	-	8,333,566
Equipment and furniture	24,634,068	2,134,052	107,670	26,660,450
Vehicles	7,942,421	1,040,244	137,486	8,845,179
Water and sewer systems	348,550,155	18,363,913	-	366,914,068
Timber rights and other intangibles	2,772,885	183,111	-	2,955,996
Total accumulated depreciation	391,503,813	22,450,602	245,156	413,709,259
Total capital assets being depreciated, net	469,606,312	7,619,320	233,183	476,992,449
Capital assets, net	\$552,848,945	\$34,831,415	\$25,635,707	\$562,044,653

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4. Deferred Outflows and Inflows of Resources

Changes in deferred outflows and inflows (other than pension and OPEB related items discussed in Notes 5 and 6) for the year ended December 31, 2019 and 2018 were as follows (in thousands).

	1/1/2019	Additions	Amortization	12/31/2019
Deferred outflows of resources:				
Deferred charge on bond refunding	\$ 3,036	\$ -	\$ (404)	\$ 2,632

	1/1/2018	Additions	Amortization	12/31/2018
Deferred outflows of resources:				
Deferred charge on bond refunding	\$ 3,440	\$ -	\$ (404)	\$ 3,036

5. Pension Plan

General Information about the Pension Plan

Plan Description. The Employees' Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

1. The Governor, ex-officio.
2. The State Treasurer, ex-officio.
3. The State Personnel Director, ex-officio
4. The State Director of Finance, ex-officio.
5. Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex-officio trustee is the head.
6. Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

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

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

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

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 90,999 participants. As of September 30, 2018, membership consisted of:

	ERS	Board
Retirees and beneficiaries currently receiving benefits	24,818	235
Terminated employees entitled to but not yet receiving benefits	1,426	6
Terminated employees not entitled to a benefit	7,854	17
Active members	56,760	382
Post-DROP participants still in active service	141	3
	<hr/>	<hr/>
Total	<u>90,999</u>	<u>643</u>

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Contributions. Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended December 31, 2019, the Board's active employee contribution rate was 7.1% of covered employee payroll, and the Board's average contribution rate to fund the normal and accrued liability costs was 10.3% of covered employee payroll.

The Board's contractually required contribution rate for the year ended September 30, 2019, was 10.14% of pensionable pay for Tier 1 employees, and 10.44% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2016, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$2,210,267 and \$2,152,676 for the years ended December 31, 2019 and 2018, respectively.

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Net Pension Liability

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

	Expected	Actual	Actual
(a) TPL as of September 30, 2017	\$ 98,268,410	\$ 99,120,134	\$ 99,643,628
(b) Discount rate	7.75%	7.75%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2017 - September 30, 2018	1,555,364	1,555,364	1,568,961
(d) Transfers Among Employers:		9,810	9,810
(e) Actual Benefit Payments and Refunds for the period October 1, 2017 - September 30, 2018	(5,896,115)	(5,896,115)	(5,896,115)
(f) TPL as of September 30, 2018 = [(a) x (1.0775)] + (c) + (d) - [(e) x (1.03875)]	<u>\$ 101,314,986</u>	<u>\$ 102,242,529</u>	<u>\$ 102,771,843</u>
(g) Difference between Expected and Actual:		\$ 927,543	
(h) Less Liability Transferred for Immediate Recognition:		9,810	
(i) Experience (Gain)/Loss = (g) - (h)		<u>\$ 917,733</u>	
(j) Difference between Actual at 7.70% and Actual at 7.75% [Assumption Change (Gain)/Loss] =			\$ 529,314

Actuarial assumptions. The total pension liability as of September 30, 2018, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2017. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return *	7.70%

* Net of pension plan investment expense

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

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

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

	TARGET ALLOCATION	LONG-TERM EXPECTED RATE OF RETURN *
Fixed income	17.00%	4.40%
U. S. large stocks	32.00%	8.00%
U. S. mid stocks	9.00%	10.00%
U. S. small stocks	4.00%	11.00%
International developed market stocks	12.00%	9.50%
International emerging market stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real estate	10.00%	7.50%
Cash equivalents	3.00%	1.50%
	<hr/>	
Total	100.00%	
	<hr/> <hr/>	

* Includes assumed rate of inflation of 2.50%.

Discount rate. The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current pan 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.

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Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2016	\$ 95,397,907	\$ 63,512,833	\$ 31,885,074
Changes for the year:			
Service cost	1,549,963	-	1,549,963
Interest	7,193,341	-	7,193,341
Changes of assumptions		-	-
Difference between expected and actual experience	(987,496)	-	(987,496)
Contributions - employer	-	1,963,630	(1,963,630)
Contributions - employee	-	1,443,549	(1,443,549)
Net investment income	-	8,037,592	(8,037,592)
Benefit payments, including refunds of employee contributions	(5,161,202)	(5,161,202)	-
Transfers among employers	275,897	275,897	-
Net changes	<u>2,870,503</u>	<u>6,559,466</u>	<u>(3,688,963)</u>
Balances at September 30, 2017	98,268,410	70,072,299	28,196,111
Changes for the year:			
Service cost	1,555,364	-	1,555,364
Interest	7,387,327	-	7,387,327
Changes of assumptions	529,314	-	529,314
Difference between expected and actual experience	917,733	-	917,733
Contributions - employer	-	2,057,351	(2,057,351)
Contributions - employee	-	1,481,771	(1,481,771)
Net investment income	-	6,376,383	(6,376,383)
Benefit payments, including refunds of employee contributions	(5,896,115)	(5,896,115)	-
Transfers among employers	9,810	9,810	-
Net changes	<u>4,503,433</u>	<u>4,029,200</u>	<u>474,233</u>
Balances at September 30, 2018	<u>\$ 102,771,843</u>	<u>\$ 74,101,499</u>	<u>\$ 28,670,344</u>

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Sensitivity of the net pension liability to changes in the discount rate. The following table presents the Board's net pension liability calculated using the discount rate of 7.70%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.70%) or 1- percentage-point higher (8.70%) than the current rate.

	1.00% Decrease (6.70%)	Current Discount Rate (7.70%)	1.00% Increase (8.70%)
Plan's Net Pension Liability	\$ 40,352,040	\$ 28,670,344	\$ 18,774,392

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditor's report dated September 17, 2019, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended December 31, 2019 and 2018, the Board recognized pension expense of \$2,001,912 and \$1,662,134, respectively.

At December 31, 2019, the Board reported deferred outflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 905,440	\$ 658,330
Changes in assumptions	1,173,829	-
Net difference between projected and actual earnings on plan investments	-	2,443,336
Total	<u>\$ 2,079,269</u>	<u>\$ 3,101,666</u>

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At December 31, 2018, the Board reported deferred outflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 192,845	\$ 822,913
Changes in assumptions	978,972	-
Net difference between projected and actual earnings on plan investments	<u>-</u>	<u>2,129,428</u>
Total	<u>\$ 1,171,817</u>	<u>\$ 2,952,341</u>

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

Year ended December 31:

2020	\$ 76,268
2021	(721,635)
2022	(471,103)
2023	(126,664)
2024	<u>220,737</u>
Total	<u>\$ (1,022,397)</u>

The Board has considered additional liability and contributions through December 31, 2019, the Board's measurement date. The Board has adjusted the net pension liability per the September 30, 2018 valuation to include additional liabilities and contributions made through December 31, 2019.

Net pension liability per study as of September 30, 2018	\$ 28,670,344
Roll-forward amounts:	
Additional liabilities	3,077,709
Employer contributions	<u>(2,454,538)</u>
	<u>\$ 29,293,515</u>

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6. Other Post-Employment Benefits

General Information about the OPEB Plan

Basis of Accounting. The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the Board has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Plan assets have been segregated and restricted in an irrevocable trust fund with a local custodian bank. Plan assets are dedicated to providing retiree benefits and are protected from creditors. Investments are reported at fair value, which is determined by the trustee based on most recent bid and asked prices.

Plan description and benefits provided. The Board provides certain health care and life insurance benefits to its retired employees, as a part of a single-employer defined benefit plan. Benefits include healthcare and dental care for eligible retirees and for retiree spouses to age 65 through the Board's group health insurance plan, which covers both active and retired members. The Board self-funds its health and dental benefit plan. For retirees over age 65, the Board provides a supplemental Medicare policy. Life insurance is provided for retirees meeting eligibility requirements. No separate stand-alone OPEB plan financial statements are publicly available. However, information on funding progress, contributions, and other elements are included in these financial statements.

Employees covered by benefit terms. For health and dental benefits and for life insurance benefits, eligible employees must have been hired prior to January 1, 2002, and prior to September 1, 1994, respectively, and retire from the Board after meeting age and years of service conditions. At December 31, 2019, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	187
Inactive plan members entitled to but not yet receiving benefit payments	0
Active plan members	390
Total	<u><u>577</u></u>

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Contributions. For employees hired prior to January 1, 2002, the Board pays 100% of life insurance for the retiree (up to \$15,000 coverage) and from 50% to 100% of the health and dental benefit for the retiree (up to age 65) and family (spouse up to age 65 and dependents through age 25), depending on both age and years of service at the time of retirement. Once the retiree reaches age 65, a portion of the cost of a Medicare supplement premium is paid by the Board for the retiree only. The required contribution is based on projected pay-as-you go financing requirements. For employees hired after January 1, 2002, the employee may continue health and dental coverage by paying 102% of the rate calculated for the plan, with coverage ceasing for the retired employee and/or the spouse when reaching age 65. Once a retiree is deceased, spouse and/or dependents are eligible for COBRA and are removed from the retiree health and dental insurance plan.

The Board of Directors also serves as the Board for the Fiduciary Fund. The Board contributed \$320,000 and \$1,320,393 to the Fiduciary Fund for future benefits for 2019 and 2018, respectively. Plan members receiving benefits contributed \$288,327 and \$538,737 of the cost in 2019 and 2018, respectively. The contribution requirements of retirees and the Board are established and may be modified, reduced, or amended by the Board.

The assumed asset allocation of Fiduciary Fund assets are 50% equities and 50% debt securities. The long-term expected rate of return on plan investments is 7% and was determined based on historical averages for the period 1926-2011.

Net OPEB Liability

The Board's net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019.

Actuarial assumptions. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	Mid-term: 2.15%, ultimate 2.5%
Salary increases	3.25% to 5.00%, including inflation, varies by years of service
Investment rate of return	4.25%
Healthcare cost trend rates	Based on the Getzen Model, with trend starting at 28.22% to reflect actual first year costs, 6.25% in the second year and gradually decreasing to an ultimate trend rate of 4.24%

Mortality rates were based on the Pub-2010, Headcount-Weighted, Below-Median Income, General Employees' mortality tables with fully generational projection using MP-2019 for non-disabled lives.

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

Salary increases	3.00% annually
Investment rate of return	7.00% annually
Healthcare cost trend rates	8.00% through 2019, 6.00% through 2021, and 5.00% for 2022 and later years

Mortality rates were based on the RP-2015 Mortality Fully Generational table using Projection Scale MP-2017.

Discount rate. The discount rate used to measure the total OPEB liability was 4.25 percent and 3.76 percent as of December 31, 2019 and 2018, respectively. The projection of cash flows used to determine the discount rate assumed that the Board's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the OPEB liability.

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Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 12/31/2017	\$ 29,242,257	\$ 14,483,303	\$ 14,758,954
Changes for the year:			
Service cost	303,067		303,067
Interest	1,095,006		1,095,006
Differences between expected and actual experience	(21,535)		-
Contributions - employer		1,859,437	(1,859,437)
Net investment loss		(417,342)	417,342
Benefit payments	(1,245,337)	(1,245,337)	-
Administrative expense		(90,467)	90,467
Net changes	131,201	106,291	24,910
Balances at 12/31/2018	29,373,458	14,589,594	14,783,864
Changes for the year:			
Service cost	287,460		287,460
Interest	1,261,846		1,261,846
Differences between expected and actual experience	(3,959,194)		(3,959,194)
Changes of assumptions	(6,941,502)		(6,941,502)
Contributions - employer		608,327	(608,327)
Net investment income		2,425,465	(2,425,465)
Benefit payments	(1,394,983)	(1,394,983)	-
Net changes	(10,746,373)	1,638,809	(12,385,182)
Balances at 12/31/2019	\$ 18,627,085	\$ 16,228,403	\$ 2,398,682

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Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.25 percent) or 1-percentage-point higher (5.25 percent) than the current discount rate:

Discount Rate Sensitivity			
	1% Decrease (3.25%)	Discount Rate (4.25%)	1% Increase (5.25%)
Net OPEB liability	\$ 4,549,204	\$ 2,398,682	\$ 577,694

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current discount rate:

Healthcare Trend Rate Sensitivity			
	1% Decrease (5.5% decreasing to 3.24%)	Healthcare Cost Trend Rates (6.5% decreasing to 4.24%)	1% Increase (7.5% decreasing to 5.24%)
Net OPEB liability	\$ 559,772	\$ 2,398,682	\$ 4,592,428

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

For the year ended December 31, 2019 and 2018, the Board recognized OPEB (income) expense of (\$2,022,344) and \$1,340,070, respectively. At December 31, 2019, the Board reported deferred outflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,214,114
Changes of assumptions	-	5,606,598
Net difference between projected and actual earnings on OPEB plan investments	-	1,243,661
Total	\$ -	\$ 10,064,373

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At December 31, 2018, the Board reported deferred outflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 21,535
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	<u>\$ -</u>	<u>\$ 21,535</u>

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Year ended December 31		
2020	\$ -	\$ 2,412,434
2021	-	2,412,434
2022	-	2,412,434
2023	-	2,407,810
2024		419,261

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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7. Contingent Insurance Liability

The Board self-funds its health and dental care benefit plan for its employees and retirees. The Board has an administrative service agreement with an insurance carrier to serve as claims administrator for its health and dental care benefits. In order to limit claims cost, the Board has an excess risk insurance policy which covers claims exceeding \$135,000 per year per covered person with an aggregating specific deductible of \$140,000 per year.

The policy has an unlimited specific maximum per covered person. The actuarial estimate for the Board's claims liability at December 31, 2019 and 2018 of \$425,200 and \$416,800, respectively was provided by the claims administrator, net of refunds due.

Changes in the balances of claims liabilities during the past year were as follows:

Self-Insured Health Insurance:	Year ended 12/31/19	Year ended 12/31/18	Year ended 12/31/17
Claims liability, beginning of year	\$ 416,800	\$ 382,400	\$ 357,200
Inurred claims and expenses	5,276,384	5,048,960	5,220,514
Claims payments	(5,112,496)	(4,926,865)	(4,964,862)
Claims settlements, excess policy	(155,488)	(87,695)	(230,452)
Claims liability, end of year	<u>\$ 425,200</u>	<u>\$ 416,800</u>	<u>\$ 382,400</u>

8. Bonds Payable

The Board issues water and sewer revenue bonds to provide funds for the acquisition and construction of major capital assets, including infrastructure. The water and sewer revenue bonds are on parity, while the State Revolving Fund bonds are subordinate. Total operating revenues are pledged as security on the bonds, regardless of the source of the revenue or the use of the proceeds.

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The following is a schedule of bonds payable:

	2019 <u>(In thousands)</u>	2018 <u>(In thousands)</u>
Series 2001 \$10,000,000 Water and Sewer Revenue Bond, issued December 28, 2001, interest at 4.62% due monthly through December 1, 2021	\$ 2,000	\$ 3,000
Series 2010 \$55,000,000 Water and Sewer Revenue Refunding Bond, issued July 26, 2010, at 2.71%, due annually through January 1, 2022	13,362	18,700
Series 2014 \$102,375,000 Water and Sewer Revenue Bonds, issued November 1, 2014, at 4% to 5%, due annually through January 1, 2036	102,375	102,375
Series 2016 \$22,240,000 Water and Sewer Revenue Bonds, issued February 4, 2016, at 1.84%, due annually through August 15, 2025	18,390	19,985
SRF 2004 \$10,310,000 Subordinated Revenue Bond, issued November 1, 2004, at 3.05%, due annually through August 15, 2024	3,200	3,780
SRF 2010-A-CWSRF \$9,345,000 Subordinated Revenue Refunding Bond issued December 15, 2010, at 2.50%, due annually through August 15, 2020	1,105	2,170
SRF 2012-CWSRF-DL \$20,000,000 Subordinated Revenue Bond issued August 15, 2012, at 2.90%, due annually through February 15, 2032	14,275	15,165
SRF 2014-CWSRF-DL \$20,010,000 Subordinated Revenue Bond issued August 15, 2014, at 2.45%, due annually through August 15, 2034	15,885	16,750
SRF 2016-CWSRF-DL \$19,950,000 Subordinated Revenue Bond issued September 15, 2016, at 1.45% to 2.20%, due annually through August 15, 2036	17,485	18,325
SRF 2018-CWSRF \$31,510,000 Subordinated Revenue Bond issued November 1, 2018, at 2.20%, due annually through August 15, 2038	30,240	31,510
SRF 2018-DWSRF \$7,510,000 Subordinated Revenue Bond issued November 1, 2018, at 2.20%, due annually through August 15, 2038	7,205	7,510
SRF 2019-CWSRF \$10,010,000 Subordinated Revenue Bond issued November 1, 2019, at 2.20%, due annually through August 15, 2039	10,010	
SRF 2019-DWSRF \$20,010,000 Subordinated Revenue Bond issued August 1, 2019, at 2.20%, due annually through February 15, 2039	20,010	
Subtotal	<u>255,542</u>	<u>239,270</u>
Plus: bond premium	<u>6,539</u>	<u>7,066</u>
Total bonds payable	<u><u>\$ 262,081</u></u>	<u><u>\$ 246,336</u></u>

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The following is a schedule of maturities of bonds payable:

Years Ending December 31	Principal (In thousands)	Interest (In thousands)	Total (In thousands)
2020	\$ 16,369	\$ 8,275	\$ 24,644
2021	16,690	7,900	24,590
2022	13,443	7,544	20,987
2023	12,405	7,270	19,675
2024	8,930	6,973	15,903
2025 - 2029	66,660	29,185	95,845
2030 - 2034	79,315	16,030	95,345
2035 - 2039	41,730	2,725	44,455
Subtotals	255,542	85,902	341,444
Plus: bond premium	6,539	(6,539)	-
Total bonds payable	\$ 262,081	\$ 79,363	\$ 341,444

Subordinated Water and Sewer Revenue Bond Series 2019-CWSRF-DL

On November 1, 2019, the Board issued a \$10,010,000 Subordinated Water and Sewer Revenue Bond at 2.20%. The funds will be used for improvements to the sanitary sewer system and treatment facilities.

Subordinated Water and Sewer Revenue Bond Series 2019-DWSRF-DL

On August 1, 2019, the Board issued a \$20,010,000 Subordinated Water and Sewer Revenue Bond at 2.20%. The funds will be used for various water infrastructure improvements.

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9. Changes in noncurrent liabilities

Activity of noncurrent liabilities for the year ended December 31, 2019 and 2018 was as follows (in thousands):

	1/1/2019	Additions	Reductions	12/31/2019
Bonds payable:				
Revenue bonds	\$ 136,127	-	\$ 10,554	\$ 125,573
SRF bonds	89,395	\$ 30,020	5,815	113,600
Plus: Bond premium	7,066	-	527	6,539
Total bonds payable	232,588	30,020	16,896	245,712
Compensated absences	2,358		207	2,151
Net pension liability	28,744	550		29,294
OPEB	14,784		12,385	2,399
Noncurrent liabilities	<u>\$ 278,474</u>	<u>\$ 30,570</u>	<u>\$ 29,488</u>	<u>\$ 279,556</u>

	1/1/2018	Additions	Reductions	12/31/2018
Bonds payable:				
Revenue bonds	\$ 138,638	-	\$ 2,511	\$ 136,127
SRF bonds	56,190	\$ 39,020	5,815	89,395
Plus: Bond premium	7,586	-	520	7,066
Total bonds payable	202,414	39,020	8,846	232,588
Compensated absences	3,110	1,339	2,091	2,358
Net pension liability	33,010	-	4,266	28,744
OPEB	14,759	25	-	14,784
Noncurrent liabilities	<u>\$ 253,293</u>	<u>\$ 40,384</u>	<u>\$ 15,203</u>	<u>\$ 278,474</u>

10. Trusteed Funds and Other Restricted Funds

Under the terms of the new *Master Trust Indenture* dated November 1, 2014, it is required that certain funds of the Board be held in trust in the Bond Fund, the Reserve Fund, the Subordinated Debt Fund, and the Capital Improvement Fund. All money in the Revenue Fund is applied first as payment of operating expenses, the remainder applied as required in the Funds listed above, in that order. Once the \$15,000,000 reserve requirement for the Capital Improvement Fund has been met, all additional excess revenues are held in the Operating Fund as unrestricted funds. They are available for transfer to maintain the \$15,000,000 minimum at the end of each month.

THE BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

11. Operating Leases - Lessor

The Board leases water tower space to third parties under cancelable operating leases. Total rentals received during 2019 and 2018 were equal to \$456,238 and \$442,435, respectively. The cost of the leased assets was \$1,242,393 as of December 31, 2019 and 2018. The accumulated depreciation was \$470,039 and \$445,191, while the carrying value was \$772,354 and \$797,202 at December 31, 2019 and 2018, respectively.

12. Construction Commitments

The Board had contractual commitments of approximately \$48,651,000 for water and sewer plant construction at December 31, 2019. These commitments are provided by the following bond restricted accounts: 2014 Bond Construction, State Revolving Loan Construction, and Capital Improvement.

13. General Usage of the System

The number of customers of the water system, the sewer system, and the total combined customers of these systems as of December 31, 2019, was 86,561, 83,764, and 90,261, respectively. The number of customers at December 31, 2018 was 86,276, 83,696, and 90,154, respectively.

14. Risk Management

The Board is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Effective April 15, 2002, the Board became self-insured for claims and judgments, general liability, and general automobile liability. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount, as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses and attorney fees related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. The Board is self-insured for claims and judgments, general liability, and general automobile liability. Based on an actuarial reserve and funding study performed by a third-party actuary, the Board recorded a liability for \$2,164,670 and \$2,137,240 for net cash reserves and possible unknown claims as of December 31, 2019 and 2018, respectively. All amounts are considered due within one year.

THE BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE, ALABAMA

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Changes in the balance of claims liabilities during the past year were as follows:

	Year Ended 12/31/2019	Year Ended 12/31/2018	Year Ended 12/31/2017
Claims liability, beginning of year	\$ 2,137,240	\$ 1,557,861	\$ 670,656
Estimated claims	474,738	-	800,000
Incurred claims (including IBNRs)	96,271	809,439	451,126
Claims and expenses paid	(543,579)	(230,060)	(363,921)
Claims liability, end of year	<u>\$ 2,164,670</u>	<u>\$ 2,137,240</u>	<u>\$ 1,557,861</u>

15. Contingencies

The Board is a defendant in legal proceedings involving a rate dispute and claiming property damage and personal injury. Such proceedings are not uncommon to a public water board. The Board is contesting these cases vigorously and believes the claims are without merit. The Board has reported a loss contingency (see Note 14) in the amount of \$2,164,670 which includes an amount for claims that have occurred but not been reported as well as a reserve for outstanding claims and estimated claims expense.

16. Trust Agreement Compliance

The Board adopted the new *Master Trust Indenture* dated November 1, 2014, and is not aware of default of any of the covenants, agreements or conditions on its part contained this document. This Indenture replaces the *Indenture of Trust* dated November 1, 1985.

The Board has calculated possible arbitrage rebate under the U. S. Treasury Department's regulations regarding the issuance of the 2001 Series bonds, the 2010 Series bonds, the 2013 Series bonds, the 2014 Series bonds, and the 2016 Series bonds. Accrued arbitrage liability as of December 31, 2019 and 2018 was \$-0-.

17. Subsequent Events

The Board has evaluated subsequent events through August 7, 2020 which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2019 have been incorporated into these financial statements.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures of certain types of public places and businesses. The coronavirus and actions taken to mitigate it could have an adverse impact on the economies and financial markets of the geographical area in which the Board operates. There has been no immediate impact on the Board's operations. The future effect of these issues are unknown; however, the Board may experience a loss of revenue and a decline in the collectability of accounts receivable as individuals and businesses may be adversely impacted by the outbreak.

REQUIRED SUPPLEMENTARY INFORMATION

THE BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE, ALABAMA

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
FISCAL YEAR ENDING SEPTEMBER 30,

	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY:					
Service cost	\$ 1,555,364	\$ 1,549,963	\$ 1,583,878	\$ 1,556,455	\$ 1,582,611
Interest	7,387,327	7,193,341	6,968,312	6,683,650	6,387,141
Changes of assumptions	529,314		1,468,458		
Differences between expected and actual difference	917,733	(987,496)	272,077	24,192	
Benefit payments, including refunds of employee contributions	(5,896,115)	(5,161,202)	(4,697,197)	(4,714,834)	(3,811,964)
Transfers among employers	9,810	275,897	349,878		
Net change in total pension liability	4,503,433	2,870,503	5,945,406	3,549,463	4,157,788
Total pension liability - beginning	98,268,410	95,397,907	89,452,501	85,903,038	81,745,250
 Total pension liability - end (a)	 <u>\$ 102,771,843</u>	 <u>\$ 98,268,410</u>	 <u>\$ 95,397,907</u>	 <u>\$ 89,452,501</u>	 <u>\$ 85,903,038</u>
 PLAN FIDUCIARY NET POSITION:					
Contributions - employer	\$ 2,057,351	\$ 1,963,630	\$ 2,020,517	\$ 1,929,674	\$ 1,930,322
Contributions - member	1,481,771	1,443,549	1,465,536	1,435,421	1,450,779
Net investment income	6,376,383	8,037,592	5,910,185	693,537	6,362,684
Benefit payments, including refunds of employee contributions	(5,896,115)	(5,161,202)	(4,697,197)	(4,714,834)	(3,811,964)
Transfers among employees	9,810	275,897	349,878	(26,853)	(57,694)
Net change in plan fiduciary net position	4,029,200	6,559,466	5,048,919	(683,055)	5,874,127
Plan net position - beginning	70,072,299	63,512,833	58,463,914	59,146,969	53,272,842
 Plan net position - end (b)	 <u>\$ 74,101,499</u>	 <u>\$ 70,072,299</u>	 <u>\$ 63,512,833</u>	 <u>\$ 58,463,914</u>	 <u>\$ 59,146,969</u>
 Net pension liability - ending (a) - (b)	 \$ 28,670,344	 \$ 28,196,111	 \$ 31,885,074	 \$ 30,988,587	 \$ 26,756,069
 Plan fiduciary net position as a percentage of the total pension liability	 72.10%	 71.31%	 66.58%	 65.36%	 68.85%
 Covered payroll	 \$ 21,781,572	 \$ 19,920,850	 \$ 20,612,003	 \$ 21,117,748	 \$ 20,561,574
 Net pension liability as a percentage of covered employee payroll	 131.63%	 141.54%	 154.69%	 146.74%	 130.13%

BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE, ALABAMA

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDING DECEMBER 31,

	2019	2018	2017	2016	2015
Actuarially determined contribution *	\$ 2,210,267	\$ 2,152,676	\$ 2,057,430	\$ 2,522,052	\$ 2,476,164
Contributions in relation to the actuarially determined contribution	<u>2,210,267</u>	<u>2,152,676</u>	<u>2,057,430</u>	<u>2,522,052</u>	<u>2,476,164</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll **	22,187,526	21,378,330	\$ 20,457,428	\$ 20,612,003	\$ 21,117,748
Contributions as a percentage of covered-employee payroll	9.96%	10.07%	10.06%	12.24%	11.73%

* Amounts of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statement.

** Employer's covered payroll for 2019 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to schedule:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported.

Contributions for fiscal year 2019 were based on the September 30, 2016 actuarial valuation.

Methods and assumptions used to determine the contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization method	27.3 years
Asset valuation method	Five year smoothed market
Inflation	2.875%
Salary increases	3.375 - 5.125%, including inflation
Investment rate of return	7.875%, net of pension plan investment expense, including inflation

THE BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE, ALABAMA

SCHEDULE OF CHANGES IN THE BOARD'S NET OPEB LIABILITY AND RELATED RATIOS
YEAR ENDING DECEMBER 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
TOTAL OPEB LIABILITY:			
Service cost	\$ 287,460	\$ 303,067	\$ 283,579
Interest	1,261,846	1,095,006	1,086,452
Differences between expected and actual experience	(3,959,194)	(21,535)	(26,787)
Changes of assumptions	(6,941,502)	-	-
Benefit payments	(1,394,983)	(1,245,337)	(1,424,834)
Net change in total OPEB liability	<u>(10,746,373)</u>	<u>131,201</u>	<u>(81,590)</u>
Total OPEB liability - beginning	<u>29,373,458</u>	<u>29,242,257</u>	<u>29,323,847</u>
Total OPEB liability - ending (a)	<u><u>\$ 18,627,085</u></u>	<u><u>\$ 29,373,458</u></u>	<u><u>\$ 29,242,257</u></u>
PLAN FIDUCIARY NET POSITION:			
Contributions - employer	\$ 608,327	\$ 1,859,437	\$ 1,988,590
Net investment income	2,425,465	(417,342)	1,851,608
Benefit payment	(1,394,983)	(1,245,337)	(1,424,836)
Administrative expense	<u>(90,467)</u>	<u>(90,467)</u>	<u>(54,346)</u>
Net change in plan fiduciary net position	<u>1,638,809</u>	<u>106,291</u>	<u>2,361,016</u>
Plan fiduciary net position - beginning	<u>14,589,594</u>	<u>14,483,303</u>	<u>12,122,287</u>
Plan fiduciary net position - ending (b)	<u><u>16,228,403</u></u>	<u><u>14,589,594</u></u>	<u><u>14,483,303</u></u>
Board's net OPEB liability - ending (a)-(b)	<u><u>\$ 2,398,682</u></u>	<u><u>\$ 14,783,864</u></u>	<u><u>\$ 14,758,954</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	87.12%	49.67%	49.53%
Covered - employee payroll	\$ 19,380,591	\$ 22,130,972	\$ 21,027,723
Board's net OPEB liability as a percentage of covered employee payroll	12.38%	66.80%	70.19%

BOARD OF WATER AND SEWER COMMISSIONERS OF
THE CITY OF MOBILE, ALABAMA

SCHEDULE OF BOARD CONTRIBUTIONS
FOR THE YEAR ENDING DECEMBER 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 608,327	\$ 1,859,437	\$ 1,424,836
Contributions in relation to the actuarially determined contribution	<u>608,327</u>	<u>1,859,437</u>	<u>1,424,836</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 19,380,591	\$ 22,130,972	\$ 21,027,723
Contributions as a percentage of covered-employee payroll	3.14%	8.40%	6.78%

Notes to schedule:

Valuation date: January 1, 2019

Measurement date: December 31, 2019

Methods and assumptions used to determine the contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization method	10 years
Asset valuation method	Market value
Inflation	Mid-term: 2.15%, ultimate 2.5%
Investment rate of return	4.25%
Salary increases	3.25% to 5.00%, including inflation, varies by years of service
Retirement age	Experience-based table of rates that are specific to the plan and type of eligibility condition
Mortality	Pub-2010, Headcount-Weighted, Below-Median Income, General tables with fully generational projection using MP-2019 for non-disabled lives. These tables are based on a mortality study of public pension plans by the Society of Actuaries (SOA).
Healthcare cost trend rates	Based on the Getzen Model, with trend starting at 6.5% to reflect actual first year costs, 6.25% in the second year and gradually decreasing to an ultimate trend rate of 4.24% by 2040.
Aging Factors	Based on the results of the study published (June 2013) in Health Care Costs - From Birth to Death sponsored by the Society of Actuaries and authored by Mr. Dale H. Yamamoto.
Expenses	Administrative expenses are included in the per capita health costs.

BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE

SCHEDULE OF BOND RESTRICTED ACCOUNTS
DECEMBER 31, 2019
(with comparative totals as of December 31, 2018)

	Total	Capital Improvement Fund Accounts	Sinking Fund Bond Service Accounts	State Revolving Fund Bond Service Accounts	2018 Total
ASSETS					
Cash and cash equivalents	\$29,248,117	\$14,972,932	\$ 9,273,130	\$ 5,002,055	\$26,540,483
Interest receivable	41,757	27,068	9,155	5,534	111,218
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$29,289,874</u>	<u>\$15,000,000</u>	<u>\$ 9,282,285</u>	<u>\$ 5,007,589</u>	<u>\$26,651,701</u>
LIABILITIES					
Interest payable	3,754,090	-	2,740,025	1,014,065	3,546,906
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	3,754,090	-	2,740,025	1,014,065	3,546,906
NET POSITION					
Restricted	<u>25,535,784</u>	<u>15,000,000</u>	<u>6,542,260</u>	<u>3,993,524</u>	<u>23,104,795</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and net position	<u>\$29,289,874</u>	<u>\$15,000,000</u>	<u>\$ 9,282,285</u>	<u>\$ 5,007,589</u>	<u>\$26,651,701</u>

BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE

SCHEDULES OF REVENUE FUND ACCOUNTS TRANSACTIONS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
OPERATING REVENUES		
Water revenue		
Potable water system	\$ 37,970,822	\$ 37,828,334
Water installation charges	291,908	327,916
Capacity fees	159,637	217,600
Miscellaneous charges and services	2,625,824	3,029,187
Industrial water accounts	<u>1,491,099</u>	<u>1,786,334</u>
Total water revenue	<u>42,539,290</u>	<u>43,189,371</u>
Sewer revenue		
Sewer services	63,884,147	61,810,368
Sewer connection charges	236,215	287,706
Capacity fees	405,210	531,364
Miscellaneous charges and services	1,379,502	1,270,151
Pretreatment fees	<u>793,511</u>	<u>799,538</u>
Total sewer revenue	<u>66,698,585</u>	<u>64,699,127</u>
Total operating revenues	109,237,875	107,888,498
OPERATING EXPENSES		
Water supply	1,878,277	1,874,955
Water treatment	6,456,684	6,365,605
Wastewater treatment	7,506,824	7,677,924
Transmission and collection	21,595,487	21,083,636
Support services	4,943,279	4,852,226
Supervision and general expense	<u>17,362,468</u>	<u>19,702,151</u>
Total operating expenses	<u>59,743,019</u>	<u>61,556,497</u>
OPERATING INCOME (revenue fund accounts)	49,494,856	46,332,001
NON-OPERATING REVENUES (EXPENSES)		
Interest income:		
Revenue and operating account investments	1,270,116	891,765
FEMA reimbursement	-	19,015
Miscellaneous rentals and sale of property	761,247	633,885
Miscellaneous expense	<u>(126)</u>	<u>(96)</u>
NET INCOME (revenue and operating accounts)	<u>51,526,093</u>	<u>47,876,570</u>
DEDUCTIONS FROM (ADDITIONS TO) NET INCOME		
Payments to (from) debt service funds:		
Sinking Fund Bond Service Account	14,212,760	22,786,903
State Revolving Fund Bond Service Account	10,038,662	5,614,517
Transfers to restricted accounts	<u>21,470,231</u>	<u>17,422,651</u>
Total deductions from net income	<u>45,721,653</u>	<u>45,824,071</u>
CHANGE IN NET POSITION		
REVENUE FUND ACCOUNTS	<u>\$ 5,804,440</u>	<u>\$ 2,052,499</u>

BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE

SCHEDULES OF COMPARISON OF RECEIPTS AND DISBURSEMENTS TO BUDGET -
REVENUE FUND ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES						
Water revenue	\$ 44,312,381	\$ 42,539,290	\$ (1,773,091)	\$ 42,823,004	\$ 43,189,371	\$ 366,367
Sewer revenue	66,008,966	66,698,585	689,619	63,560,402	64,699,127	1,138,725
Total operating revenues	<u>110,321,347</u>	<u>109,237,875</u>	<u>(1,083,472)</u>	<u>106,383,406</u>	<u>107,888,498</u>	<u>1,505,092</u>
OPERATING EXPENSES	<u>62,619,450</u>	<u>59,743,019</u>	<u>2,876,431</u>	<u>62,184,000</u>	<u>61,556,497</u>	<u>627,503</u>
OPERATING INCOME	47,701,897	49,494,856	1,792,959	44,199,406	46,332,001	2,132,595
NON OPERATING REVENUES/(EXPENSES)						
Investment income	375,000	1,270,116	895,116	375,000	891,765	516,765
Other income	425,000	761,247	336,247	425,000	652,900	227,900
Miscellaneous expenses	<u>-</u>	<u>(126)</u>	<u>(126)</u>	<u>-</u>	<u>(96)</u>	<u>(96)</u>
Net income	<u>48,501,897</u>	<u>51,526,093</u>	<u>3,024,196</u>	<u>44,999,406</u>	<u>47,876,570</u>	<u>2,877,164</u>
OTHER REVENUE DEDUCTIONS (ADDITIONS)						
Sinking Fund Bond Service Account *	14,182,814	14,212,760	(29,946)	17,462,777	22,786,903	(5,324,126)
State Revolving Fund Bond Service Account **	8,810,874	10,038,662	(1,227,788)	6,414,082	5,614,517	799,565
Transfers to restricted accounts	<u>25,508,209</u>	<u>21,470,231</u>	<u>4,037,978</u>	<u>21,122,547</u>	<u>17,422,651</u>	<u>3,699,896</u>
Total other revenue deductions	<u>48,501,897</u>	<u>45,721,653</u>	<u>2,780,244</u>	<u>44,999,406</u>	<u>45,824,071</u>	<u>(824,665)</u>
CHANGE IN NET POSITION						
REVENUE FUND ACCOUNTS	<u>\$ -</u>	<u>\$ 5,804,440</u>	<u>\$ 5,804,440</u>	<u>\$ -</u>	<u>\$ 2,052,499</u>	<u>\$ 2,052,499</u>

BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE

SCHEDULES OF OPERATING EXPENSES - REVENUE FUND ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
WATER SUPPLY		
Labor Cost	\$ 254,361	\$ 274,044
Payroll Taxes	19,192	15,369
Fringe Benefits	102,340	103,836
Other Post Employment Benefits	2,902	14,398
Administrative Expenses	34,575	32,985
Electricity and Natural Gas	905,400	880,862
Maintenance and Repairs	63,902	26,826
Misc Outside Services	239,800	255,911
Chemicals	9,954	10,395
Offices Supplies and Expenses	1,244	1,460
Operating Supplies and Materials	82,469	91,977
Vehicle and Equipment Expense	162,138	166,892
	<u>\$ 1,878,277</u>	<u>\$ 1,874,955</u>
WATER TREATMENT		
Labor Cost	\$ 1,658,182	\$ 1,731,004
Payroll Taxes	124,395	130,418
Fringe Benefits	586,857	624,182
Other Post Employment Benefits	17,829	94,205
Administrative Expenses	13,313	16,698
Electricity and Natural Gas	586,950	551,998
Maintenance and Repairs	6,088	20,754
Misc Outside Services	572,215	589,661
Chemicals	2,320,082	2,154,828
Offices Supplies and Expenses	3,779	4,276
Operating Supplies and Materials	180,674	183,854
Vehicle and Equipment Expense	386,320	263,727
	<u>\$ 6,456,684</u>	<u>\$ 6,365,605</u>
WASTEWATER TREATMENT		
Labor Cost	\$ 2,294,000	\$ 2,160,418
Payroll Taxes	172,374	152,876
Fringe Benefits	776,363	803,855
Other Post Employment Benefits	24,472	133,367
Administrative Expenses	20,844	18,434
Electricity and Natural Gas	1,506,176	1,393,913
Maintenance and Repairs	29,591	27,437
Misc Outside Services	1,660,887	1,500,983
Chemicals	355,383	383,810
Offices Supplies and Expenses	14,748	13,974
Operating Supplies and Materials	285,302	291,468
Vehicle and Equipment Expense	366,684	797,389
	<u>\$ 7,506,824</u>	<u>\$ 7,677,924</u>

	2019	2018
TRANSMISSION AND COLLECTION		
Labor Cost	\$ 7,237,668	\$ 7,238,264
Payroll Taxes	561,628	552,683
Fringe Benefits	2,806,643	2,863,157
Other Post Employment Benefits	87,133	471,267
Administrative Expenses	63,020	54,194
Electricity and Natural Gas	1,529,491	1,640,532
Maintenance and Repairs	34,950	5,641
Misc Outside Services	5,196,096	4,672,243
Chemicals	296,796	137,065
Offices Supplies and Expenses	17,390	16,802
Operating Supplies and Materials	2,274,746	1,751,878
Vehicle and Equipment Expense	1,489,926	1,679,910
	<u>\$ 21,595,487</u>	<u>\$ 21,083,636</u>
SUPPORT SERVICES		
Labor Cost	\$ 2,309,467	\$ 2,135,381
Payroll Taxes	175,853	159,360
Fringe Benefits	924,812	876,102
Other Post Employment Benefits	28,013	149,188
Administrative Expenses	25,452	22,306
Electricity and Natural Gas	211	215
Maintenance and Repairs	66,036	60,231
Misc Outside Services	911,129	853,847
Chemicals	-	70
Offices Supplies and Expenses	4,525	3,883
Operating Supplies and Materials	347,611	447,119
Vehicle and Equipment Expense	150,170	144,524
	<u>\$ 4,943,279</u>	<u>\$ 4,852,226</u>
SUPERVISION, ENGINEERING, ACCOUNTING, COLLECTIONS AND GENERAL EXPENSE		
Labor Cost	\$ 7,989,846	\$ 7,810,212
Payroll Taxes	591,506	577,799
Fringe Benefits	3,436,358	4,428,120
Other Post Employment Benefits	(2,182,694)	478,343
Administrative Expenses	1,836,710	2,161,720
Electricity and Natural Gas	306,920	30,539
Maintenance and Repairs	15,839	23,213
Misc Outside Services	4,593,475	3,632,670
Chemicals	-	-
Offices Supplies and Expenses	79,136	61,376
Operating Supplies and Materials	252,635	148,383
Vehicle and Equipment Expense	442,737	349,776
	<u>\$ 17,362,468</u>	<u>\$ 19,702,151</u>

BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE

SCHEDULES OF CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019 Totals	Unrestricted	
		Operating Cash Reserve Fund Accounts	Self-Insurance Cash Reserve Fund Accounts
CHANGES RESULTING FROM OPERATIONS - INCREASE (DECREASE)			
Operating income - revenue fund	\$ 50,256,103	\$ 51,013,017	\$ (756,914)
Operating expenses - capital improvement fund account	(929,740)	-	-
Depreciation	(23,156,895)	-	-
FEMA reimbursement	-	-	-
Investment earnings	1,429,807	1,270,112	-
Miscellaneous rentals and sale of property	(1,021,694)	(126)	-
Bond interest expense	(7,958,328)	-	-
Bond issuance costs	(20,000)	-	-
INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	18,599,253	52,283,003	(756,914)
CAPITAL GRANTS AND CONTRIBUTIONS			
Lines accepted by the Board without reimbursement	105,939	-	-
Contributions for extensions/repair and replacement	-	-	-
Capital grants	100,000	-	-
CHANGES FROM INTER-ACCOUNT TRANSFERS			
Cash transfers from revenue fund (net)	-	(47,499,415)	610,000
Additions to utility plant:			
Equipment, vehicles and building improvements	-	-	-
Construction in progress	-	-	-
Proceeds from bond sales	-	-	-
Debt retired	-	-	-
CHANGE IN NET POSITION	18,805,192	4,783,588	(146,914)
TOTAL NET POSITION - BEGINNING OF YEAR	381,401,456	(7,253,457)	3,033,742
TOTAL NET POSITION - END OF PERIOD	\$ 400,206,648	\$ (2,469,869)	\$ 2,886,828

Unrestricted			Restricted			
Customer Deposit Cash Reserve Fund Accounts	Unfunded Pension Liability Cash Reserve Fund Accounts	Capital Assets and Debt	Capital Improvement Fund Accounts	Construction Accounts	Debt Service and Reserve Accounts	2018 Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,332,001
-	-	-	(929,740)	-	-	(1,465,627)
-	-	(23,156,895)	-	-	-	(22,446,265)
-	-	-	-	-	-	19,015
-	-	-	-	12	159,683	1,006,525
-	-	(1,173,661)	152,093	-	-	998,602
-	-	122,577	-	-	(8,080,905)	(7,481,890)
-	-	-	-	(20,000)	-	(20,000)
-	-	(24,207,979)	(777,647)	(19,988)	(7,921,222)	16,942,361
-	-	105,939	-	-	-	452,066
-	-	-	-	-	-	1,387,848
-	-	-	100,000	-	-	-
67,762	1,100,000	-	30,904,435	(9,434,204)	24,251,422	-
-	-	4,472,952	(4,472,952)	-	-	-
-	-	32,345,115	(32,345,115)	-	-	-
-	-	(30,020,000)	-	30,020,000	-	-
-	-	13,899,212	-	-	(13,899,212)	-
67,762	1,100,000	(3,404,761)	(6,591,279)	20,565,808	2,430,988	18,782,275
3,094,658	5,242,000	321,974,905	(668,664)	42,142,891	13,835,381	362,619,181
\$ 3,162,420	\$ 6,342,000	\$ 318,570,144	\$ (7,259,943)	\$ 62,708,699	\$ 16,266,369	\$ 381,401,456

STATISTICAL SECTION

STATISTICAL SECTION

This part of the Board's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information says about the Board's overall financial health.

Contents	Page
Financial Trends	
<i>These schedules contain trend information intended to assist users in understanding and assessing how the Board's financial position has changed over time.</i>	65
Revenue Capacity	
<i>These schedules contain information to assist users in understanding and assessing the factors affecting a government's ability to generate its own-source revenues.</i>	67
Debt Capacity	
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Demographic and Economic Information	
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Operating Information	
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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

**SCHEDULES OF CHANGES IN NET POSITION
Last Ten Years**

	2010	2011	2012	2013	2014 (restated)	2015	2016 (restated)	2017	2018	2019
Operating revenues										
Water sales	\$ 35,718,835	\$ 37,630,321	\$ 37,558,244	\$ 37,350,332	\$ 38,645,369	\$ 39,566,223	\$ 41,764,407	\$ 39,947,830	\$ 43,189,371	\$ 42,539,290
Sewer charges	50,782,045	50,963,736	52,825,864	53,940,407	56,975,397	58,917,122	61,686,576	60,670,012	64,699,127	66,698,585
Total operating revenues	86,500,880	88,594,057	90,384,108	91,290,739	95,620,766	98,483,345	103,450,983	100,617,842	107,888,498	109,237,875
Operating expenses										
Water supply	1,564,766	1,719,756	1,614,535	1,456,555	1,426,220	1,570,247	1,545,130	1,659,151	1,874,955	1,878,277
Water, sewer, treatment, and administration	48,047,068	49,982,030	52,227,106	52,773,316	54,624,738	53,786,657	55,624,133	55,575,856	59,681,542	57,864,742
Capital improvement fund accounts	1,058,020	1,161,607	2,141,229	587,987	566,230	1,369,583	2,227,136	2,314,627	1,465,627	929,740
Construction accounts	70,935	-	-	-	-	-	-	-	-	-
Depreciation	19,099,142	19,099,155	19,415,011	19,718,326	19,988,036	20,495,573	20,846,352	21,684,555	22,446,265	23,156,895
Total operating expenses	69,839,931	71,962,548	75,397,881	74,536,184	76,605,224	77,222,060	80,242,751	81,234,189	85,468,389	83,829,654
Net revenue from operations	16,660,949	16,631,509	14,986,227	16,754,555	19,015,542	21,261,285	23,208,232	19,383,653	22,420,109	25,408,221
Non operating revenues (expenses)										
Operating grants, net of expenses	7,062	-	-	-	-	-	-	-	-	-
FEMA reimbursement	-	-	54,474	6,204	195,924	32,654	-	-	-	-
Investment earnings	430,387	384,391	207,788	89,744	496,608	319,843	331,392	540,985	1,006,525	1,429,807
Miscellaneous rentals and sale of property	589,365	676,593	613,685	694,545	4,785,339	916,922	632,649	981,699	1,017,713	913,214
Miscellaneous expense and loss on disposal of assets	-	-	-	-	-	(15,511)	(11,617)	(281)	(96)	(1,173,661)
Bond interest expense	(9,976,402)	(9,614,173)	(9,486,792)	(8,579,573)	(8,087,920)	(7,266,160)	(6,257,210)	(5,456,955)	(7,481,890)	(7,958,328)
Bond issuance costs	(240,389)	(234,566)	-	(24,500)	(688,026)	-	(78,510)	-	(20,000)	(20,000)
Income (loss) before capital grants and contributions	7,470,972	7,843,754	6,375,382	8,940,975	15,717,467	15,249,033	17,824,936	15,449,101	16,942,361	18,599,253
Capital grants and contributions										
Lines accepted by the Board without reimbursement	1,501,657	1,603,316	1,820,758	813,555	971,388	1,492,169	710,929	1,494,115	-	-
Contributions for extensions / repair and replacement	289,542	94,910	62,842	77,506	466,161	262,097	371,440	-	1,839,914	105,939
Capital grants	1,487,813	-	101,531	304,186	12,639	100,916	-	-	-	100,000
Total capital grants and contributions	3,279,012	1,698,226	1,985,131	1,195,247	1,450,188	1,855,182	1,082,369	1,494,115	1,839,914	205,939
Prior year adjustment										
Debt issuance costs	-	(2,268,024)	-	-	-	-	(470,417)	-	-	-
OPEB	-	-	-	-	(26,042,086)	-	(14,590,382)	-	-	-
Pension	-	-	-	-	-	-	(753,184)	-	-	-
Change in net position	10,749,984	9,541,980	8,360,513	10,136,222	(8,874,431)	17,104,215	3,093,322	16,943,216	18,782,275	18,805,192
Total net position										
Beginning	297,832,184	308,582,168	315,856,124	324,216,637	334,352,859	325,478,428	342,582,643	345,675,965	362,619,181	381,401,456
Total net position										
Ending	\$ 308,582,168	\$ 315,856,124	\$ 324,216,637	\$ 334,352,859	\$ 325,478,428	\$ 342,582,643	\$ 345,675,965	\$ 362,619,181	\$ 381,401,456	\$ 400,206,648

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

**NET POSITION BY COMPONENT
Last Ten Years**

	2010	2011	2012	2013	2014 (restated)	2015	2016 (restated)	2017	2018	2019
Net investment in capital assets	\$ 249,476,245	\$ 261,367,843	\$ 256,089,642	\$ 282,770,315	\$ 265,425,990	\$ 284,998,850	\$ 297,123,608	\$ 352,047,706	\$ 364,662,008	\$ 382,855,114
Restricted for debt service	1,417,994	1,458,797	2,157,854	2,176,881	2,102,209	2,269,520	2,374,525	9,077,577	8,104,795	10,535,784
Restricted for construction and other bond covenants	37,295,626	35,718,761	48,730,752	35,268,851	68,993,710	63,652,826	70,403,814	15,000,000	15,000,000	15,000,000
Unrestricted net position	<u>20,392,303</u>	<u>17,310,723</u>	<u>17,238,389</u>	<u>14,136,812</u>	<u>(11,043,481)</u>	<u>(8,338,553)</u>	<u>(24,225,982)</u>	<u>(13,506,102)</u>	<u>(6,365,347)</u>	<u>(8,184,250)</u>
Total net position	<u>\$ 308,582,168</u>	<u>\$ 315,856,124</u>	<u>\$ 324,216,637</u>	<u>\$ 334,352,859</u>	<u>\$ 325,478,428</u>	<u>\$ 342,582,643</u>	<u>\$ 345,675,965</u>	<u>\$ 362,619,181</u>	<u>\$ 381,401,456</u>	<u>\$ 400,206,648</u>

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

**REVENUES BY TYPE
Last Ten Years**

Year Ended December 31	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating revenues										
Water revenue										
Potable water system sales	\$ 31,106,291	\$ 32,594,201	\$ 32,491,498	\$ 32,757,295	\$ 34,208,940	\$ 34,929,662	\$ 36,915,832	\$ 35,361,254	\$ 37,828,334	\$ 37,970,822
Water connection (service line) fees	281,933	291,453	331,080	224,897	311,792	312,755	333,177	293,635	327,916	291,908
Water connection (capacity) fees	205,781	181,506	208,742	204,440	165,865	198,070	194,590	205,310	217,600	159,637
Miscellaneous water income	2,448,267	2,847,939	2,697,020	2,807,156	2,833,570	2,652,869	2,602,105	2,597,719	3,029,187	2,625,824
Water supply system sales (industrial)	1,676,563	1,715,222	1,829,904	1,356,544	1,125,202	1,472,867	1,718,703	1,489,912	1,786,334	1,491,099
Total water revenue	35,718,835	37,630,321	37,558,244	37,350,332	38,645,369	39,566,223	41,764,407	39,947,830	43,189,371	42,539,290
Sewer revenue										
Sewer system charges	47,779,041	48,340,581	50,090,610	51,272,411	54,281,829	56,240,161	59,015,216	57,924,969	61,810,368	63,884,147
Sewer connection (service line) fees	309,036	217,818	206,487	201,311	236,645	215,271	261,122	229,717	287,706	236,215
Sewer connection (capacity) fees	547,722	519,792	549,144	500,406	440,571	501,400	481,036	578,600	531,364	405,210
Miscellaneous sewer income	1,521,543	1,292,050	1,277,900	1,308,323	1,307,779	1,295,437	1,303,735	1,304,365	1,270,151	1,379,502
Pre-treatment fees	624,703	593,495	701,723	657,956	708,573	664,853	625,467	632,361	799,538	793,511
Total sewer revenue	50,782,045	50,963,736	52,825,864	53,940,407	56,975,397	58,917,122	61,686,576	60,670,012	64,699,127	66,698,585
Total operating revenues	86,500,880	88,594,057	90,384,108	91,290,739	95,620,766	98,483,345	103,450,983	100,617,842	107,888,498	109,237,875
Non-operating revenues										
Investment earnings	430,387	384,391	207,788	89,744	496,608	319,843	331,392	540,985	1,006,525	1,429,807
Grant proceeds	7,062	-	-	-	-	-	-	-	-	-
FEMA reimbursements (uncollectible)	-	-	54,474	6,204	195,924	32,654	-	-	19,015	-
Miscellaneous rentals and sale of property	589,365	676,593	613,685	694,545	4,785,339	916,922	632,649	981,699	1,002,876	913,214
Total non-operating revenues	1,026,814	1,060,984	875,947	790,493	5,477,871	1,269,419	964,041	1,522,684	2,028,416	2,343,021
Total revenues	\$ 87,527,694	\$ 89,655,041	\$ 91,260,055	\$ 92,081,232	\$ 101,098,637	\$ 99,752,764	\$ 104,415,024	\$ 102,140,526	\$ 109,916,914	\$ 111,580,896

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

**WATER AND SEWER BILLINGS BY METER SIZE
(In Thousands)
Last Ten Years**

Meter size	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
5/8"	\$ 44,330	\$ 45,239	\$ 45,872	\$ 47,411	\$ 48,320	\$ 50,782	\$ 54,330	\$ 52,553	\$ 53,319	\$ 55,032
1"	3,164	3,375	3,330	3,379	3,273	3,610	3,724	3,366	3,581	3,708
1 1/2 "	600	688	742	774	818	962	1,023	932	1,045	1,129
2"	6,334	6,631	6,821	6,804	7,722	7,344	7,648	7,426	7,124	8,225
3"	1,688	2,304	2,375	2,350	2,755	2,544	2,514	2,582	3,010	2,881
4"	7,278	7,658	7,747	7,581	8,647	8,116	8,283	8,113	8,393	8,654
6"	5,591	5,605	5,596	6,943	6,879	7,812	7,983	8,425	12,203	10,449
8"	4,773	5,302	5,396	5,094	5,891	6,060	5,913	5,248	6,452	7,400
10" - 12"	5,127	4,133	4,703	3,694	4,186	3,940	4,513	4,641	4,512	4,377
	\$ 78,885	\$ 80,935	\$ 82,582	\$ 84,030	\$ 88,491	\$ 91,170	\$ 95,931	\$ 93,286	\$ 99,639	\$ 101,855
Untreated water	1,677	1,715	1,830	1,357	1,125	1,473	1,719	1,490	1,786	1,491
Total	<u>\$ 80,562</u>	<u>\$ 82,650</u>	<u>\$ 84,412</u>	<u>\$ 85,387</u>	<u>\$ 89,616</u>	<u>\$ 92,643</u>	<u>\$ 97,650</u>	<u>\$ 94,776</u>	<u>\$ 101,425</u>	<u>\$ 103,346</u>

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

**WATER AND SEWER RATES
Last Ten Years**

Year	Rate Increase Effective Date	Water		Sewer	
		Rate per 1,000 Gallons	Minimum Charge	Rate per 1,000 Gallons	Minimum Charge
2010	2/1/2010	\$ 2.36	\$ 7.90	\$ 5.52	\$ 15.80
2011	1/1/2011	\$ 2.43	\$ 8.08	\$ 5.69	\$ 16.23
2012	2/1/2012	\$ 2.55	\$ 8.38	\$ 5.97	\$ 16.93
2013	1/1/2013	\$ 2.68	\$ 8.70	\$ 6.27	\$ 17.68
2014	1/1/2014	\$ 2.81	\$ 9.03	\$ 6.58	\$ 18.45
2015	1/1/2015	\$ 2.95	\$ 9.38	\$ 6.91	\$ 19.28
2016	1/1/2016	\$ 3.10	\$ 9.75	\$ 7.26	\$ 20.15
2017		\$ 3.10	\$ 9.75	\$ 7.26	\$ 20.15
2018	1/1/2018	\$ 3.12	\$ 10.10	\$ 7.57	\$ 21.23
2019	1/1/2019	\$ 3.28	\$ 10.50	\$ 7.95	\$ 22.18

Notes: Rates are based on a standard 5/8" household meter.
Beginning in 2018, the service charges for water and sewer both increased from \$2.00 to \$2.30.
Minimum charges increase according to meter size; 5/8" minimum includes 2,500 gallons.
Rates are based on a declining block schedule and begin decreasing after 500,000 gallons.
There was no rate increase in 2017.
Details on the rate increase effective January 1, 2020, for all customers can be found on our website at
www.mawss.com.

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

**SCHEDULES OF OPERATING REVENUES -
INDUSTRIAL WATER ACCOUNTS
Last Ten Years**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Big Creek System										
Mobile Water Service	\$ 2,831,821	\$ 2,746,820	\$ 2,666,138	\$ 2,597,563	\$ 3,014,386	\$ 3,143,078	\$ 3,244,971	\$ 3,039,470	\$ 3,373,112	\$ 3,348,447
Less: Intra-fund eliminations	(2,831,821)	(2,746,820)	(2,666,138)	(2,597,563)	(3,014,386)	(3,143,078)	(3,244,971)	(3,039,470)	(3,373,112)	(3,348,447)
Kimberly-Clark Corp.	1,332,645	1,388,906	1,504,139	1,095,070	1,086,721	1,076,861	1,322,037	1,194,848	1,412,126	1,174,898
Kemira Water Solutions	7,616	6,259	4,429	5,007	7,477	6,225	5,525	5,741	7,194	6,295
Occidental Chemical	7,326	4,375	3,932	3,765	4,336	4,724	10,302	10,888	6,482	4,308
UOP	112,535	126,320	145,966	157,017	176,695	191,924	207,395	188,971	220,949	193,314
Merchants Transfer (formerly Multisorb Technologies and Eagle Chemical Company)	3,633	3,624	3,681	3,765	4,301	4,494	4,668	4,719	4,724	4,308
Mobile Paper Board Corp.	20,280	21,402	23,598	25,689	31,081	26,637	31,249	32,721	38,043	26,294
Mobile Energy	<u>39,858</u>	<u>46,954</u>	<u>74,821</u>	<u>54,753</u>	<u>40,914</u>	<u>143,844</u>	<u>135,719</u>	<u>52,024</u>	<u>96,816</u>	<u>81,682</u>
Total Big Creek System	1,523,893	1,597,840	1,760,566	1,345,066	1,351,525	1,454,709	1,716,895	1,489,912	1,786,334	1,491,099
Mobile River System										
SSAB Steel	142,240	117,382	69,338	45,234	29,720	18,158	1,808	-	-	-
SSAB Steel prior year adjustment	-	-	-	(33,756)	(256,043)	-	-	-	-	-
Kimberly-Clark Corp.	<u>10,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Mobile River System	<u>152,670</u>	<u>117,382</u>	<u>69,338</u>	<u>11,478</u>	<u>(226,323)</u>	<u>18,158</u>	<u>1,808</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Revenues - Industrial Water Accounts	<u>\$ 1,676,563</u>	<u>\$ 1,715,222</u>	<u>\$ 1,829,904</u>	<u>\$ 1,356,544</u>	<u>\$ 1,125,202</u>	<u>\$ 1,472,867</u>	<u>\$ 1,718,703</u>	<u>\$ 1,489,912</u>	<u>\$ 1,786,334</u>	<u>\$ 1,491,099</u>

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

**SCHEDULE OF TEN LARGEST USERS
Last Ten Years**

User	2010		2011		2012		2013		2014	
	Total Consumption	% of Total Treated Water Sold	Total Consumption	% of Total Treated Water Sold	Total Consumption	% of Total Treated Water Sold	Total Consumption	% of Total Treated Water Sold	Total Consumption	% of Total Treated Water Sold
Prichard Water and Sewer	1,218,301,300	8.84%	1,170,582,200	8.67%	1,082,743,900	8.49%	1,050,426,500	8.84%	1,061,450,700	8.58%
Alabama State Docks	280,931,755	2.04%	308,346,700	2.28%	253,886,400	1.99%	247,167,300	2.08%	384,062,800	3.10%
Huls America/Degussa/Evonik	684,443,000	4.97%	649,744,000	4.81%	640,333,000	5.02%	582,181,500	4.90%	495,438,300	4.01%
Spanish Fort Water	223,941,000	1.62%	200,784,500	1.49%	223,285,000	1.75%	181,012,500	1.52%	222,343,500	1.80%
Alabama Power	285,383,261	2.07%	284,055,300	2.10%	273,537,700	2.14%	326,877,700	2.75%	288,794,900	2.33%
Mitsubishi Polysilicon	228,591,200	1.66%	210,794,500	1.56%	285,309,700	2.24%	201,746,000	1.70%	199,026,100	1.61%
Phenolchemie Inc.	210,324,800	1.53%	369,087,700	2.74%	529,890,100	4.15%	158,440,000	1.33%	139,800,000	1.13%
Kimberly Clark Corp.	n/a	n/a	n/a	n/a	n/a	n/a	127,722,800	1.07%	134,103,100	1.08%
University of South Alabama	227,593,440	1.65%	184,646,200	1.37%	194,266,400	1.52%	174,046,600	1.46%	152,984,900	1.24%
Holcim (US) Inc.	133,819,500	0.97%	137,765,000	1.02%	153,976,500	1.21%	n/a	n/a	n/a	n/a
Mobile Infirmary	n/a	n/a	n/a	n/a	115,655,900	0.91%	n/a	n/a	n/a	n/a
Mobile Housing Board	135,553,270	0.98%	117,839,300	0.87%	n/a	n/a	108,775,700	0.92%	n/a	n/a
Mobile Public Schools	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100,368,500	0.81%
Atlantic Marine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

User	2015		2016		2017		2018		2019	
	Total Consumption	% of Total Treated Water Sold	Total Consumption	% of Total Treated Water Sold	Total Consumption	% of Total Treated Water Sold	Total Consumption	% of Total Treated Water Sold	Total Consumption	% of Total Treated Water Sold
Prichard Water and Sewer	964,938,500	8.02%	970,807,800	7.92%	1,054,229,000	9.70%	1,167,902,100	10.28%	1,134,447,000	9.85%
Alabama State Docks	280,572,000	2.33%	445,407,800	3.63%	338,406,400	3.11%	295,343,800	2.60%	384,209,600	3.33%
Huls America/Degussa/Evonik	457,294,900	3.80%	463,246,000	3.78%	523,476,000	4.82%	331,116,200	2.91%	336,092,100	2.92%
Spanish Fort Water	228,835,000	1.90%	220,642,700	1.80%	196,991,300	1.81%	261,017,700	2.30%	293,784,000	2.55%
Alabama Power	271,218,800	2.26%	169,264,400	1.38%	176,664,100	1.63%	215,062,900	1.89%	208,837,800	1.81%
Mitsubishi Polysilicon	197,112,700	1.64%	207,072,100	1.69%	304,431,200	2.80%	224,077,700	1.97%	203,394,500	1.77%
Phenolchemie Inc.	174,600,000	1.45%	184,500,000	1.50%	182,050,000	1.68%	187,900,000	1.65%	179,650,000	1.56%
Kimberly Clark Corp.	116,993,100	0.97%	111,907,400	0.91%	138,080,400	1.27%	116,501,700	1.03%	118,947,600	1.03%
University of South Alabama	167,222,000	1.39%	149,368,100	1.22%	199,699,100	1.84%	173,291,300	1.53%	113,957,400	0.99%
Holcim (US) Inc.	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	96,286,600	0.84%
Mobile Infirmary	n/a	n/a	n/a	n/a	n/a	n/a	80,641,800	0.71%	n/a	n/a
Mobile Housing Board	112,264,600	0.93%	126,284,700	1.03%	99,697,200	0.92%	n/a	n/a	n/a	n/a
Mobile Public Schools	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Atlantic Marine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Note: Information on all ten top users for 2019 was not recorded in all cases for each year from 2010 through 2019.

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

**SCHEDULE OF FUTURE DEBT PAYMENTS - REVENUE BONDS
(In Thousands)
December 31, 2019**

Water and Sewer Revenue Bonds							SRF Subordinate Revenue Bonds										Total
		Series 2001	Series 2010	Series 2014	Series 2016	Total	Series 2004	Series 2010	Series 2012	Series 2014	Series 2016	Series 2018 CWSRF	Series 2018 DWSRF	Series 2019 CWSRF	Series 2019 DWSRF	Total	
2020	Prin	1,000	5,489	-	2,695	9,184	600	1,105	920	885	860	1,295	310	405	805	7,185	16,369
	Int	72	288	4,848	338	5,546	98	28	400	389	385	665	159	174	431	2,729	8,275
2021	Prin	1,000	5,640	-	3,820	10,460	620	-	945	910	875	1,325	315	415	825	6,230	16,690
	Int	25	137	4,848	289	5,299	79	-	374	368	366	637	152	211	414	2,601	7,900
2022	Prin	-	2,232	-	4,826	7,058	640	-	975	930	895	1,355	325	420	845	6,385	13,443
	Int	-	30	4,848	218	5,096	60	-	346	345	347	608	145	202	395	2,448	7,544
2023	Prin	-	-	950	4,920	5,870	660	-	1,000	955	915	1,385	330	430	860	6,535	12,405
	Int	-	-	4,848	130	4,978	41	-	317	322	327	578	138	193	376	2,292	7,270
2024	Prin	-	-	1,005	1,230	2,235	680	-	1,030	980	935	1,415	335	440	880	6,695	8,930
	Int	-	-	4,801	40	4,841	21	-	288	299	307	547	130	183	357	2,132	6,973
2025	Prin	-	-	4,695	900	5,595	-	-	1,060	1,005	955	1,445	345	450	900	6,160	11,755
	Int	-	-	4,751	17	4,768	-	-	257	275	286	516	123	174	338	1,969	6,737
2026	Prin	-	-	5,940	-	5,940	-	-	1,090	1,025	980	1,480	350	460	920	6,305	12,245
	Int	-	-	4,516	-	4,516	-	-	226	250	265	484	115	164	318	1,822	6,338
2027	Prin	-	-	7,240	-	7,240	-	-	1,125	1,055	1,000	1,510	360	470	940	6,460	13,700
	Int	-	-	4,219	-	4,219	-	-	194	225	243	452	108	154	297	1,673	5,892
2028	Prin	-	-	7,600	-	7,600	-	-	1,155	1,080	1,025	1,545	370	480	960	6,615	14,215
	Int	-	-	3,857	-	3,857	-	-	161	200	222	418	100	143	276	1,520	5,377
2029	Prin	-	-	7,980	-	7,980	-	-	1,190	1,105	1,045	1,580	375	490	980	6,765	14,745
	Int	-	-	3,477	-	3,477	-	-	127	173	199	385	92	133	255	1,364	4,841
2030	Prin	-	-	8,380	-	8,380	-	-	1,225	1,135	1,070	1,615	385	500	1,005	6,935	15,315
	Int	-	-	3,078	-	3,078	-	-	92	146	176	350	83	122	233	1,202	4,280
2031	Prin	-	-	8,715	-	8,715	-	-	1,260	1,160	1,095	1,650	395	515	1,025	7,100	15,815
	Int	-	-	2,743	-	2,743	-	-	56	118	152	315	75	111	211	1,038	3,781
2032	Prin	-	-	9,150	-	9,150	-	-	1,300	1,190	1,115	1,690	400	525	1,050	7,270	16,420
	Int	-	-	2,307	-	2,307	-	-	19	89	128	278	66	99	188	867	3,174

(Continued)

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

SCHEDULE OF FUTURE DEBT PAYMENTS - REVENUE BONDS (CONTINUED)
(In Thousands)
December 31, 2019

Water and Sewer Revenue Bonds						SRF Subordinate Revenue Bonds										Total
	Series 2001	Series 2010	Series 2014	Series 2016	Total	Series 2004	Series 2010	Series 2012	Series 2014	Series 2016	Series 2018 CWSRF	Series 2018 DWSRF	Series 2019 CWSRF	Series 2019 DWSRF	Total	
2033 Prin	-	-	9,520	-	9,520	-	-	-	1,220	1,140	1,725	410	535	1,070	6,100	15,620
Int	-	-	1,941	-	1,941	-	-	-	61	104	241	57	88	165	716	2,657
2034 Prin	-	-	9,900	-	9,900	-	-	-	1,250	1,165	1,765	420	550	1,095	6,245	16,145
Int	-	-	1,560	-	1,560	-	-	-	31	79	203	48	76	141	578	2,138
2035 Prin	-	-	10,390	-	10,390	-	-	-	-	1,195	1,805	430	560	1,120	5,110	15,500
Int	-	-	1,065	-	1,065	-	-	-	-	53	164	39	64	116	436	1,501
2036 Prin	-	-	10,910	-	10,910	-	-	-	-	1,220	1,845	440	570	1,145	5,220	16,130
Int	-	-	544	-	544	-	-	-	-	27	125	30	52	92	326	870
2037 Prin	-	-	-	-	-	-	-	-	-	-	1,885	450	585	1,170	4,090	4,090
Int	-	-	-	-	-	-	-	-	-	-	84	20	39	66	209	209
2038 Prin	-	-	-	-	-	-	-	-	-	-	1,925	460	600	1,195	4,180	4,180
Int	-	-	-	-	-	-	-	-	-	-	43	10	26	40	119	119
2039 Prin	-	-	-	-	-	-	-	-	-	-	-	-	610	1,220	1,830	1,830
Int	-	-	-	-	-	-	-	-	-	-	-	-	13	13	26	26
Prin	2,000	13,361	102,375	18,391	136,127	3,200	1,105	14,275	15,885	17,485	30,240	7,205	10,010	20,010	119,415	255,542
Premium	-	(20)	6,559	-	6,539	-	-	-	-	-	-	-	-	-	-	6,539
Total Prin	2,000	13,341	108,934	18,391	142,666	3,200	1,105	14,275	15,885	17,485	30,240	7,205	10,010	20,010	119,415	262,081
Interest	97	455	58,251	1,032	59,835	299	28	2,857	3,291	3,666	7,093	1,690	2,421	4,722	26,067	85,902
Premium	-	20	(6,559)	-	(6,539)	-	-	-	-	-	-	-	-	-	-	(6,539)
Total Int	97	475	51,692	1,032	53,296	299	28	2,857	3,291	3,666	7,093	1,690	2,421	4,722	26,067	79,363
	<u>\$ 2,097</u>	<u>\$ 13,816</u>	<u>\$ 160,626</u>	<u>\$ 19,423</u>	<u>\$ 195,962</u>	<u>\$ 3,499</u>	<u>\$ 1,133</u>	<u>\$ 17,132</u>	<u>\$ 19,176</u>	<u>\$ 21,151</u>	<u>\$ 37,333</u>	<u>\$ 8,895</u>	<u>\$ 12,431</u>	<u>\$ 24,732</u>	<u>\$145,482</u>	<u>\$ 341,444</u>

NOTE: Both water and sewer revenues are pledged on the above bonds.

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

**RATIO OF ANNUAL NET REVENUES
TO ANNUAL DEBT SERVICE
Last Ten Years**

REVENUE BONDS--ON PARITY AND SUBORDINATED

Water and Sewer Revenue Bonds									State Revolving Fund Revenue Bonds					Debt Coverage - Parity and Subordinated *****
Year	System Revenues *	Operating Expenses **	Annual Net Income ***	Debt Service Principal	Debt Service Interest	Principal and Interest Requirements	Debt Coverage - Parity Debt Only	Subordinated Debt Service Principal	Subordinated Debt Service Interest	Subordinated Debt Principal and Interest Requirements	Total Principal and Interest Requirements - Parity and Subordinated ****			
2010	\$ 87,394,438	\$ 47,777,660	\$ 39,616,778	\$ 5,397,647	\$ 9,367,372	\$ 14,765,019	2.68	\$ 3,660,000	\$ 1,708,524	\$ 5,368,524	\$ 20,133,543	1.97		
2011	\$ 89,426,024	\$ 49,986,627	\$ 39,439,397	\$ 7,637,451	\$ 8,700,337	\$ 16,337,788	2.41	\$ 3,240,000	\$ 1,482,963	\$ 4,722,963	\$ 21,060,751	1.87		
2012	\$ 91,033,789	\$ 51,664,967	\$ 39,368,822	\$ 8,925,682	\$ 8,403,440	\$ 17,329,122	2.27	\$ 3,360,000	\$ 1,589,203	\$ 4,949,203	\$ 22,278,325	1.77		
2013	\$ 91,866,803	\$ 54,229,871	\$ 37,636,932	\$ 9,446,750	\$ 7,405,079	\$ 16,851,829	2.23	\$ 4,230,000	\$ 1,833,709	\$ 6,063,709	\$ 22,915,538	1.64		
2014	\$ 96,397,005	\$ 56,617,188	\$ 39,779,817	\$ 11,169,981	\$ 6,153,194	\$ 17,323,175	2.30	\$ 4,320,000	\$ 2,000,411	\$ 6,320,411	\$ 23,643,586	1.68		
2015	\$ 99,109,305	\$ 55,356,904	\$ 43,752,401	\$ 11,449,401	\$ 5,858,501	\$ 17,307,902	2.53	\$ 3,850,000	\$ 1,877,638	\$ 5,727,638	\$ 23,035,540	1.90		
2016	\$ 103,450,983	\$ 57,169,263	\$ 46,281,720	\$ 12,184,401	\$ 6,253,549	\$ 18,437,950	2.51	\$ 4,005,000	\$ 1,401,588	\$ 5,406,588	\$ 23,844,538	1.94		
2017	\$ 100,617,842	\$ 57,235,007	\$ 43,382,835	\$ 11,176,106	\$ 5,940,337	\$ 17,116,443	2.53	\$ 4,120,000	\$ 1,516,993	\$ 5,636,993	\$ 22,753,436	1.91		
2018	\$ 107,888,498	\$ 61,556,497	\$ 46,332,001	\$ 9,184,213	\$ 5,546,775	\$ 14,730,988	3.15	\$ 5,975,000	\$ 2,123,503	\$ 8,098,503	\$ 22,829,491	2.03		
2019	\$ 109,237,875	\$ 59,743,019	\$ 49,494,856	\$ 9,184,213	\$ 5,546,775	\$ 14,730,988	3.36	\$ 7,185,000	\$ 2,728,597	\$ 9,913,597	\$ 24,644,585	2.01		

Per *Master Trust Indenture* dated November 1, 2014:

* System Revenues include all revenues and income of whatever nature derived by the Board from the operation of the System. Borrowed funds and customer deposits are not considered revenues.

** Operating Expenses include the reasonable and necessary expenses of efficiently and economically administering and operating the System and maintaining it in good repair and operating condition. Depreciation, amortization and interest on debt are not included.

*** Annual Net Income is defined as Net System Revenues. Any gain or loss resulting from the disposition of assets and any other extraordinary items of income or loss are excluded.

**** Principal and interest requirements for the years 2009 - 2013 consist of debt service for that year. Beginning in 2014, principal and interest requirements are equal to the maximum annual debt service.

***** The Board's *Master Trust Indenture* requires a minimum Debt Service Coverage Ratio of 1.25x. The Board has adopted an internal goal of 2.0.

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE
OUTSTANDING DEBT BY TYPE AND DEBT PER CUSTOMER
Business Type Activities
Last Ten Years**

Year	Number of Customers	Water And Sewer Revenue Bonds (000s)	State Revolving Fund Revenue Bonds - Subordinated Debt (000s)	Total Revenue Bonds (000s)	Debt per Customer
2010	87,675	\$201,709	\$49,470	\$251,179	\$2,865
2011	88,306	\$194,032	\$46,230	\$240,262	\$2,721
2012	88,606	\$185,067	\$62,870	\$247,937	\$2,798
2013	88,906	\$175,712	\$58,640	\$234,352	\$2,636
2014	88,911	\$163,326	\$74,275	\$237,601	\$2,672
2015	89,447	\$152,436	\$70,085	\$222,521	\$2,488
2016	90,007	\$162,613	\$64,315	\$226,928	\$2,521
2017	90,121	\$155,545	\$60,310	\$215,855	\$2,395
2018	90,154	\$144,060	\$95,210	\$239,270	\$2,654
2019	90,261	\$136,127	\$119,415	\$255,542	\$2,831

**BOARD OF WATER & SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

MISCELLANEOUS STATISTICAL DATA

Population (per census):

<u>Year</u>	<u>City of Mobile</u>	<u>Mobile County</u>
1900	38,469	62,740
1910	51,521	80,854
1920	60,777	110,117
1930	68,202	118,363
1940	78,720	141,974
1950	129,009	231,105
1960	202,779	314,301
1970	190,026	317,308
1980	200,452	364,379
1990	196,278	378,643
2000	198,915	399,843
2010	195,111	412,992

Assessed Valuation (Real and Personal Property):

<u>Tax Year</u>	<u>City of Mobile</u>	<u>Mobile County</u>
2010	\$1,882,546,220	\$4,043,183,560
2011	\$1,859,394,800	\$4,119,936,420
2012	\$1,857,069,520	\$4,124,549,140
2013	\$1,841,670,160	\$4,064,514,140
2014	\$1,995,058,000	\$4,120,812,140
2015	\$2,034,454,720	\$4,206,832,820
2016	\$2,181,411,020	\$4,544,381,160
2017	\$2,171,648,160	\$4,539,702,700
2018	\$2,260,610,540	\$4,593,639,640
2019	\$2,329,222,240	\$4,753,336,680

Source: 2010 through 2019 - Revenue Commissioner's Office

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

**MOBILE COUNTY DEMOGRAPHIC STATISTICS
Last Ten Years**

Year	Population	Retail Sales* (Thousands)	School Enrollment	Median Income Per Household	Labor Force	Unemployment Rate Percent	Employment
2010	412,992	\$ 5,559,900	66,254	\$ 40,621	193,860	10.8%	172,952
2011	413,462	\$ 5,923,235	60,946	\$ 44,119	190,570	9.0%	173,512
2012	413,936	\$ 6,002,125	59,706	\$ 43,252	187,925	8.3%	172,410
2013	414,560	\$ 6,175,210	59,582	\$ 41,800	186,004	8.0%	171,163
2014	415,123	\$ 6,471,760	59,746	\$ 44,264	183,668	6.7%	171,415
2015	415,395	\$ 6,874,886	58,537	\$ 43,844	187,902	6.6%	175,493
2016	415,635	\$ 7,221,089	57,694	\$ 45,821	187,465	6.5%	175,320
2017	413,955	n/a	56,572	\$ 45,233	185,118	4.1%	177,529
2018	414,270	n/a	62,089	\$ 45,802	187,172	4.6%	186,017
2019	414,328	n/a	54,144	\$ 46,166	192,453	3.0%	184,147

Sources: The US Census Bureau, Bureau of Labor Statistics, Mobile Area Chamber of Commerce, and Mobile County Public School System

* Retail sales for 2017-2019 are not available at this time.

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

**MOBILE COUNTY
SINGLE-FAMILY RESIDENCES
Last Ten Years**

<u>Year</u>	<u>Number of Homes Sold</u>	<u>Average Sales Price</u>	<u>Median Sales Price</u>	<u>Months of Inventory</u>
2010	3,323	\$136,609	\$120,000	14.28
2011	3,397	\$121,901	\$104,450	12.37
2012	3,474	\$126,232	\$105,000	10.69
2013	3,882	\$137,462	\$106,750	9.96
2014	3,878	\$133,414	\$116,250	8.94
2015	4,394	\$142,061	\$123,425	7.22
2016	4,533	\$158,349	\$137,000	6.72
2017	4,491	\$160,132	\$138,038	5.03
2018	4,613	\$169,095	\$146,496	4.15
2019	4,858	\$176,569	\$153,974	3.50

Source: Alabama Center for Real Estate

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

**MOBILE COUNTY TOP TEN EMPLOYERS
2019 AND NINE YEARS AGO**

Employer	2019			2010		
	Full-Time Employees	Rank	Percentage of Total Employment	Full-Time Employees	Rank	Percentage of Total Employment
Mobile County Public School System	7,500	1	4.07%	7,900	1	4.66%
Univ of South Alabama & USA Medical Facilities	6,000	2	3.26%	5,300	2	3.13%
Infirmary Health Systems (Mobile Infirmary)	5,750	3	3.12%	5,300	3	3.13%
Austal USA	4,000	4	2.17%	1,800	7	1.06%
City of Mobile	2,100	5	1.14%	2,200	5	1.30%
CPSI	2,000	6	1.09%	-	-	
Mobile County	1,450	7	0.79%	1,450	9	0.86%
AM/NS Calvert	1,600	8	0.87%	-	-	
Providence Hospital	1,480	9	0.80%	2,150	6	1.27%
Springhill Medical Center	1,100	10	0.60%	-	-	
Wal-Mart	-	-		3,000	4	1.77%
ThysenKrup Steel	-	-		1,700	8	1.00%
ST Aerospace Mobile	-	-		1,200	10	0.71%
Totals	32,980		17.91%	32,000		18.88%
Total Number of Employees - All Mobile County Employers	184,147			169,528		

Source: Mobile Area Chamber of Commerce

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

**WATER SUPPLY CHARACTERISTICS
CONVERSE RESERVOIR ANNUAL DATA**

Year	(1) Annual Rainfall (inches)	(2) Annual Rainfall (inches)	Low Level Elevation (Date)		(3) Level Elevation	High (Date)	Spillway Release (Billion Gallons)	(4) Average Pumping Rate (MGD)
2009-2010	81.36	83.37	109.40	(07/10)	110.33	(07/10)	48.53	64.60
2010-2011	45.05	53.26	107.20	(07/11)	110.70	(03/11)	8.37	65.90
2011-2012	67.15	58.26	109.70	(07/09)	110.60	(07/30)	8.70	63.69
2012-2013	66.65	68.90	107.80	(02/19)	111.70	(05/02)	29.54	61.74
2013-2014	77.44	77.45	108.60	(10/07)	111.30	(04/30)	53.52	52.74
2014-2015	55.72	63.47	108.90	(03/13)	110.70	(09/17)	25.88	52.61
2015-2016	75.01	71.12	108.80	(10/25)	111.40	(07/23)	35.35	52.91
2016-2017	65.42	72.13	108.30	(11/28)	111.50	(08/13)	54.11	52.71
2017-2018	56.77	61.26	108.10	(09/11)	110.40	(10/10)	52.24	53.40
2018-2019	53.56	53.60	107.20	(09/01)	110.10	(12/25)	33.57	55.67
10 Year Average	64.41	66.28	108.40		110.87		34.98	57.60

(1) Based on rain gauge at Gaillard Pumping Station

(2) Based on rain gauge at Saraland Pumping Station

(3) Top of Tainter Gates is Elevation 111

(4) Average pumping rate is measured in millions of gallons per day (mgd)

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

**WATER FLOW TO SYSTEM
(In Millions of Gallons)
For the Year Ended December 31, 2019**

		<u>E. M. STICKNEY WATER FILTRATION FACILITY</u>	<u>H. E. MYERS WATER FILTRATION FACILITY</u>	<u>COMBINED WATER FILTRATION FACILITIES</u>
January	Total Million Gallons:	742.79	308.56	1,051.35
	Daily Average:	23.96	9.95	33.91
	Daily Maximum:	31.47	10.50	41.97
	Daily Minimum:	19.96	9.47	29.43
February	Total Million Gallons:	660.69	276.39	937.08
	Daily Average:	21.31	9.87	31.18
	Daily Maximum:	27.80	10.56	38.36
	Daily Minimum:	20.49	9.48	29.97
March	Total Million Gallons:	778.07	317.92	1,095.99
	Daily Average:	25.10	10.26	35.36
	Daily Maximum:	27.73	10.84	38.57
	Daily Minimum:	20.25	9.58	29.83
April	Total Million Gallons:	737.84	309.21	1,047.05
	Daily Average:	23.80	10.31	34.11
	Daily Maximum:	29.60	10.76	40.36
	Daily Minimum:	20.80	9.45	30.25
May	Total Million Gallons:	887.49	352.11	1,239.60
	Daily Average:	28.63	11.36	39.99
	Daily Maximum:	36.16	17.05	53.21
	Daily Minimum:	22.92	9.61	32.53
June	Total Million Gallons:	893.56	303.64	1,197.20
	Daily Average:	29.79	10.12	39.91
	Daily Maximum:	34.61	11.24	45.85
	Daily Minimum:	24.50	8.26	32.76
July	Total Million Gallons:	871.23	335.57	1,206.80
	Daily Average:	28.10	10.82	38.92
	Daily Maximum:	36.10	11.34	47.44
	Daily Minimum:	22.12	10.43	32.55
August	Total Million Gallons:	838.89	333.14	1,172.03
	Daily Average:	27.06	10.75	37.81
	Daily Maximum:	31.37	11.16	42.53
	Daily Minimum:	23.12	10.42	33.54
September	Total Million Gallons:	974.80	318.65	1,293.45
	Daily Average:	32.49	10.62	43.11
	Daily Maximum:	39.98	11.22	51.20
	Daily Minimum:	26.31	9.45	35.76
October	Total Million Gallons:	882.02	329.16	1,211.18
	Daily Average:	28.45	10.62	39.07
	Daily Maximum:	33.39	13.84	47.23
	Daily Minimum:	22.94	9.83	32.77
November	Total Million Gallons:	813.40	288.04	1,101.44
	Daily Average:	27.11	9.60	36.71
	Daily Maximum:	320.02	10.73	330.75
	Daily Minimum:	22.59	8.35	30.94
December	Total Million Gallons:	797.88	316.11	1,113.99
	Daily Average:	25.74	10.20	35.94
	Daily Maximum:	30.72	11.21	41.93
	Daily Minimum:	20.52	8.39	28.91
<hr/>		<hr/>		
Annual	Total Million Gallons:	9,878.66	3,788.47	13,667.13
	Daily Average:	26.80	10.37	37.17
	Daily Maximum:	320.02	17.05	330.75
	Daily Minimum:	19.96	8.26	28.91

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

**ANNUAL WATER FLOWS TO SYSTEM
Last Ten Years**

YEAR	E. M. STICKNEY WFF			H. E. MYERS WFF			TOTAL			
	AVERAGE (MGD)	TOTAL MILLION GALLONS	% Capacity	AVERAGE (MGD)	TOTAL MILLION GALLONS	% Capacity	AVERAGE (MGD)	TOTAL MILLION GALLONS	% Capacity	Billion Gallons (Yr.)
2010	31.07	11,339.23	51.8%	9.50	3,468.55	31.7%	40.57	14,807.78	45.1%	14.81
2011	28.58	10,431.08	47.6%	11.71	4,272.70	39.0%	40.28	14,703.78	44.8%	14.70
2012	26.29	9,621.41	43.8%	11.49	4,205.03	38.4%	37.88	13,826.44	42.1%	13.83
2013	24.18	8,824.39	40.3%	11.77	4,294.37	39.2%	35.94	13,118.76	39.9%	13.12
2014	24.50	8,941.72	40.8%	11.75	4,369.65	39.9%	36.47	13,311.37	40.5%	13.31
2015	24.66	9,002.59	41.1%	11.80	4,305.36	39.3%	36.46	13,307.95	40.5%	13.31
2016	24.67	9,030.65	41.1%	11.78	4,310.52	39.4%	36.55	13,341.17	40.6%	13.34
2017	25.19	9,192.94	41.9%	11.60	4,235.36	38.7%	36.79	13,428.30	40.9%	13.43
2018	28.88	10,542.41	48.0%	10.74	3,918.34	35.8%	39.62	14,460.75	44.0%	14.46
2019	28.75	10,493.58	47.8%	11.09	4,048.29	37.0%	39.84	14,541.87	44.3%	14.54
10 Year Average	26.68	9,742.00	44%	11.32	4,142.82	38%	38.04	13,884.82	42%	13.88

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

WASTEWATER TREATMENT FACILITY VOLUMES

Year	C. C. WILLIAMS WWTF			WRIGHT SMITH, JR. WWTF		
	Permit Daily Capacity (MGD)	Avg. Daily Flow (MGD)	Peak Daily Flow (MGD)	Permit Daily Capacity (MGD)	Avg. Daily Flow (MGD)	Peak Daily Flow (MGD)
2010	28.0	24.58	65.19	12.8	10.14	28.95
2011	28.0	20.59	58.91	12.8	8.37	25.23
2012	28.0	22.79	71.99	12.8	9.49	29.11
2013	28.0	25.61	79.04	12.8	9.46	28.26
2014	28.0	26.41	65.99	12.8	9.61	29.90
2015	28.0	25.81	69.72	12.8	10.48	29.83
2016	28.0	25.82	62.90	12.8	12.16	24.74
2017	28.0	26.44	74.10	12.8	9.63	28.89
2018	28.0	23.25	65.44	12.8	8.84	32.61
2019	28.0	22.23	58.02	12.8	8.19	23.70
10 Year Average	28.0	24.4	67.1	12.8	9.6	28.1

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

DECENTRALIZED WASTEWATER TREATMENT FACILITY FLOWS

Year	HUTCHENS DWWTF			COPELAND DWWTF			SNOW ROAD DWWTF		
	Constructed Daily Capacity (MGD)	Avg. Daily Flow (MGD)	Peak Daily Flow (MGD)	Constructed Daily Capacity (MGD)	Avg. Daily Flow (MGD)	Peak Daily Flow (MGD)	Constructed Daily Capacity (MGD)	Avg. Daily Flow (MGD)	Peak Daily Flow (MGD)
2010	0.060	0.0193	0.0526	0.056	0.0392	0.0538	0.020	0.0054	0.0229
2011	0.060	0.0276	0.0704	0.056	0.0419	0.0692	0.020	0.0050	0.0170
2012	0.060	0.0166	0.0367	0.056	0.0375	0.0833	0.020	0.0049	0.0166
2013	0.060	0.0148	0.0290	0.056	0.0451	0.0794	0.020	0.0046	0.0109
2014	0.060	0.0150	0.1036	0.056	0.0492	0.0883	0.020	0.0036	0.0094
2015	0.060	0.0132	0.0730	0.056	0.0420	0.0740	0.020	0.0051	0.0099
2016	0.060	0.0168	0.0279	0.056	0.0461	0.0698	0.020	0.0056	0.0097
2017	0.060	0.0158	0.0223	0.056	0.0517	0.0741	0.020	0.0039	0.0090
2018	0.060	0.0161	0.0243	0.056	0.0496	0.0635	0.020	0.0034	0.0077
2019	0.060	0.0157	0.0215	0.056	0.0530	0.0634	0.020	0.0035	0.0072
10 Year Average	0.060	0.017	0.046	0.056	0.046	0.072	0.020	0.004	0.012

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

**C. C. WILLIAMS WWTF
2019 STATISTICS**

Month		Flow mgd	Raw Flow gd	Dig Flow gd	Waste Flow gd	Rain inches	CL2 lbs	SO2 lbs	Air Temp f	Grit ft3	Nat Gas ft3	Dig Gas ft3
January	Max	57.17	115,439	163,826	241,857	1.15	1,770	1,600	71	120	128,000	106,000
	Min	18.94	-	-	-	-	440	150	-	-	-	-
	Avg	24.63	30,756	77,421	62,903	0.09	1,089	472	53	4	36,923	15,170
February	Max	34.44	102,704	167,648	176,040	0.60	1,460	800	74	270	108,000	83,000
	Min	20.40	83	132	-	-	380	300	48	-	-	-
	Avg	25.04	52,563	71,550	85,525	0.06	854	464	62	17	17,136	21,363
March	Max	45.30	109,508	115,434	211,928	0.55	1,980	620	72	230	116,000	79,000
	Min	14.48	4,260	2,336	-	-	520	280	43	-	-	-
	Avg	26.28	45,854	74,298	70,015	0.06	948	422	62	7	44,742	24,419
April	Max	34.11	87,851	163,767	174,849	1.78	1,800	580	77	290	128,000	39,000
	Min	15.96	10,300	8,881	51	0.09	520	320	56	240	1	1
	Avg	21.00	46,538	62,607	49,437	0.70	952	428	69	268	32,482	13,073
May	Max	40.03	163,599	755,952	179,735	2.59	2,000	680	91	500	94,000	106,000
	Min	14.06	10,611	49,734	15,738	0.12	580	300	68	270	1,000	1,000
	Avg	20.45	87,017	156,051	92,182	1.24	961	451	78	362	38,692	34,167
June	Max	28.82	147,630	183,483	168,535	0.89	1,220	600	90	270	78,000	94,000
	Min	17.59	22,490	-	-	-	460	300	76	-	-	-
	Avg	19.69	84,223	110,185	74,787	0.16	734	433	83	35	24,033	45,933
July	Max	58.00	178,587	187,213	1,123,882	5.89	1,220	530	95	270	87,000	260,000
	Min	15.67	9,093	87,745	1,811	0.02	280	240	80	170	1,000	1,000
	Avg	22.66	70,094	142,727	97,716	1.09	633	361	85	238	19,926	33,300
August	Max	50.26	126,108	147,603	583,152	4.11	1,700	920	93	324	84,000	31,000
	Min	18.74	7,300	51,332	3,384	0.01	500	200	76	170	1,000	1,000
	Avg	23.65	59,935	95,973	102,739	0.53	788	423	85	255	28,261	9,828
September	Max	38.58	153,373	147,424	121,836	6.37	1,400	520	93	540	82,000	34,000
	Min	17.28	4,490	47,957	102	0.02	420	240	72	15	1,000	1,000
	Avg	21.79	66,529	82,932	57,820	3.20	834	402	86	264	19,700	10,000
October	Max	58.02	141,028	176,198	196,930	1.69	1,740	520	84	270	92,000	51,000
	Min	15.09	22,101	24,778	70	0.10	500	220	58	15	1,000	2,000
	Avg	22.17	71,109	88,903	66,406	0.72	913	381	74	234	32,077	12,533
November	Max	35.25	880,897	195,261	224,786	0.35	1,700	500	71	270	630,000	44,000
	Min	14.42	4,300	52,379	326	0.02	470	240	38	270	1,000	1,000
	Avg	18.73	108,443	133,170	97,277	0.16	883	403	59	270	64,667	11,600
December	Max	56.48	160,158	145,837	249,788	2.45	1,380	660	72	270	97,000	52,000
	Min	15.76	4,800	145,837	84	0.01	60	300	45	175	1,000	1,000
	Avg	20.62	70,653	145,837	67,852	0.70	885	382	60	223	41,517	16,778
Annual	Max	58.02	880,897	755,952	1,123,882	6.37	2,000	1,600	95	540	630,000	260,000
	Min	14.06	-	-	-	-	60	150	-	-	-	-
	Avg	22.23	66,143	103,471	77,055	0.73	873	418	71	181	33,346	20,680

Note: Permit daily capacity (mgd) is 28.0.

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

**WRIGHT SMITH, JR. WWTF
2019 STATISTICS**

Month		Eff Flow mgd	Rain inches	CL2 lbs	SO2 lbs	Grit ft3
January	Max	20.60	1.30	312	158	142
	Min	6.68	-	167	56	-
	Avg	9.02	0.13	224	101	13
February	Max	9.40	0.62	253	114	159
	Min	6.80	-	171	44	-
	Avg	7.57	0.11	212	99	23
March	Max	12.98	1.35	301	158	153
	Min	6.08	-	171	85	-
	Avg	7.96	0.11	211	112	29
April	Max	16.17	2.69	299	172	186
	Min	5.76	-	181	71	-
	Avg	7.98	0.24	209	105	28
May	Max	19.60	1.75	250	172	219
	Min	5.90	-	154	30	-
	Avg	7.87	0.14	195	86	21
June	Max	10.60	1.59	292	149	211
	Min	5.90	-	125	37	-
	Avg	7.20	0.22	199	87	25
July	Max	17.70	4.90	326	217	210
	Min	-	-	168	19	-
	Avg	7.89	0.26	230	105	29
August	Max	18.72	3.07	337	259	150
	Min	6.70	-	174	49	-
	Avg	8.79	0.31	235	121	19
September	Max	13.94	2.77	299	196	116
	Min	6.40	-	136	59	-
	Avg	7.77	0.09	215	117	16
October	Max	22.57	2.60	318	189	164
	Min	5.92	-	125	89	-
	Avg	9.10	0.31	203	120	21
November	Max	18.10	1.00	275	181	126
	Min	6.20	-	165	68	-
	Avg	8.62	0.05	204	113	18
December	Max	23.70	1.91	316	215	158
	Min	6.10	-	161	58	-
	Avg	8.55	0.17	214	109	19
Annual	Max	23.70	4.90	337	259	219
	Min	-	-	125	19	-
	Avg	8.19	0.18	213	106	22

Note: Permit daily capacity (mgd) is 12.8.

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

**TOTAL NUMBER OF CUSTOMERS
Last Ten Years**

YEAR	WATER	SEWER	TOTAL
2010	84,147	81,306	87,675
2011	84,747	81,889	88,306
2012	84,989	82,203	88,606
2013	85,266	82,482	88,906
2014	85,219	82,412	88,911
2015	85,678	82,923	89,447
2016	86,166	83,497	90,007
2017	86,271	83,662	90,121
2018	86,276	83,696	90,154
2019	86,561	83,764	90,261

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

**TOTAL NUMBER OF EMPLOYEES
Last Ten Years**

**Full time equivalent employees
by function**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Water Supply	3	3	3	3	3	3	3	5	5	6
Water Treatment	26	26	26	26	23	25	25	27	30	30
Wastewater Treatment	36	36	36	36	37	35	36	40	43	43
Transmission and Collection	136	136	135	137	141	139	147	146	159	157
Support Services	47	47	46	47	44	46	46	44	48	47
Supervision, Engineering, Accounting, Collections, and General Expense	141	141	140	142	139	137	139	134	145	145
	<u>389</u>	<u>389</u>	<u>386</u>	<u>391</u>	<u>387</u>	<u>385</u>	<u>396</u>	<u>396</u>	<u>430</u>	<u>428</u>

* Note: 2010 through 2012 FTE have been restated from original breakdown by Water, Wastewater, Support Services, and Administration

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE
SCHEDULE OF 2019 CAPITAL PROJECT EXPENDITURES**

<u>PROJECT NUMBER</u>	<u>WATER PROJECTS</u>	<u>AMOUNT</u>
10164554	Stickney Finished Water Piping Improvements	\$ 55,731
10179339	WTP Residuals Characterization & Dewaterability	35,826
10194727	Stickney WTP Filter Waste Pipe Fittings Replacement	16,626
10195981	Stickney Reservoir Rehabilitation	25,956
10199152	Stickney Electrical Upgrade	20,632
175668273	Big Creek Lake Dam Hoist and Gate Automation	416,420
2019-201	Restraint Joint PVC Pipe	30,288
4110.ALU	Medal Of Honor Tank Painting	39,880
4114/IFB 17-044	DWSRF Contract-Water Meters	1,033,125
4123.ALU	2019 DWSRF Water Meter Replacement Installation	8,273,092
5602.ALU	Springhill Reservoir Demolition	42,386
627069	Big Creek Lake Dam Phase III Evaluation	58,214
AL17024	48 Inch Butterfly Valve Replacement	486,060
AL18053	Calais-Paris-Barrone-Chartres Water Main Upgrades	277,525
IEMAWSS-0101	Water Line Upgrades Wilkins Road & Victory Avenue	22,283
M0042-4784	Perch Creek Emergency Waterline Replacement	277,051
M5712-2656	Sollie Road Emergency 12" Waterline Replacement	255,756
M5712-2657	Overlook Waterline Replacement from University Blvd to Mississippi Street	632,829
M5712-2670	Repair or Replace 36" Valve on Waterline to East Reservoir at Moffett Road	14,088
M5712-2673	Mobile River 16" Waterline Replacement	17,049
VARIOUS	Miscellaneous Water Projects	11,424
		<hr/> 12,042,240
	<u>WASTEWATER PROJECTS</u>	
4117.ALU	Fowl River Sewer (LPFM)	34,637
17049	Robert E. Lee Water and Sewer Replacement	100,566
18028	Gulf Field Sewer Rehabilitation	453,610
18037	Bizzell Avenue Manhole Installation	242,053
18062	Government Street Point Repairs	71,335
19008	Halls Mill Creek Trunk Sewer Abandonment 42" Sewer Line	43,647
19051	Manhole Installation	32,461
50175	Halls Mill Trunk Sewer Extension-16" Force Main	1,844,823
100316.24	Small Diameter Lining and Manhole Rehab (TM-12)	59,513
100316.25	2019 Large Diameter CIPP Sewer Lining	36,774
100316.27	Pine Run Subdivision Rehabilitation	211,228
111503.01	C.C. Williams WWTP Headworks and Primary Clarifier Replacement	520,103
111503.05	C.C. Williams WWTP Headworks and Primary Clarifier Replacement ESDC	30,016
395044	Meadowlake School Pump Station Relocation	39,209
398476	Eslava Lift Station Multi-Rake Screen and Washer Compactor Replacement	815,211
662616	Halls Mill Lift Station Equalization Study	7,899
662616 T004 A1	Halls Mill Severe Weather Attenuation Basin	413,785
674299	Three Mile Creek Severe Weather Attenuation Basin	3,709,000
677611	Eslava Creek Severe Weather Attenuation Basin Investigation	25,487
708488	C.C. Williams Dewatering Belt Filter Press	621,669
709260	Copeland Island WWTP Disposal Field Improvements	56,651
3123300	Williams WWTP Process Modeling and Alternative Analysis	62,369
3180900	Collection System Dynamic Model	72,906
3197100	Wright Smith WWTP Headworks Replacement	291,663
3226100	C.C. Williams Dewatering Facility and Other Improvements	382,712
10-4010-2082	Smith WWTF Effluent Pump Station	159,437
2018-101	Lift Station Outdoor Perimeter Lighting	31,761
2018-201	Pump Volute For Halls Mill Lift Station	17,263
2018-301	Halls Mill Lift Station 155 Impeller and Wear Ring Replacement	44,530
395044DR	Dog River Dr Lift Station Relocation	84,861
AL18017	Ansley Drive, Chelsea Drive E. & Brockton Sewer Repair	8,145
CMOB160039	Three Mile Creek Trunk Sewer Upgrade	673,712
3308700	Halls Mill Force Main Extension Model	15,293
50108990	Clear Creek & Royal Street Sewer Improvements	22,539
CMOB180014	Wright Smith Primary Digester Cover Replacement	261,463

(continued)

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE
SCHEDULE OF 2019 CAPITAL PROJECT EXPENDITURES**

<u>PROJECT NUMBER</u>	<u>WASTEWATER PROJECTS</u>	<u>AMOUNT</u>
CMOB180015	Wright Smith Trickling Filter Bearing	6,630
CMOB190299	Eslava Creek Trunk Sewer Upgrade	9,243
CMOB190336	Halls Mill and Eslava Creek Lift Stations Valve Replacement	22,985
M5712-2546	Install Manhole 003A, 0013A, and 224	354,410
M5712-2557	Japonica Lane Sewer	411,015
M5712-2609	2018 Annual Contract For Manhole Rehabilitation	72,339
M5712-2609A-2	2018 Annual Contract For Manhole Rehabilitation	463,682
M5712-2610	2018 Annual Contract For Manhole Frame And Cover Replacement	26,784
M5712-2610-2	2018 Annual Contract For Manhole Frame And Cover Replacement	39,916
M5712-2611-2	2018 Annual Contract For CIPP Rehabilitation Of Large Diameter Sanitary Sewer Mains	74,125
M5712-2613	2018 Annual Contract For CIPP Rehabilitation For Public Portion Of Sanitary Sewer Laterals	160,114
M5712-2613-2	2019 Annual Contract For CIPP Rehabilitation For Public Portion Of Sanitary Sewer Laterals	154,031
M5712-2614	2018 Annual Contract For Access Roads And Easement Maintenance	10,347
M5712-2614-2	2018 Annual Contract For Access Roads And Easement Maintenance	1,107,611
M5712-2625-2	2018 Annual Contract To Install & Replace Sewer Laterals & Related Sewer Mains Within ROW	80,839
M5712-2643	2019 Annual Contract For CIPP Small Diameter Sanitary Sewer Rehabilitation	1,405,673
M5712-2648	Installation Of Low Pressure Sewer Check Valve Assemblies On Dawes Oak Drive	14,005
M5712-2650	Eslava Creek Force Main Replacement Phase 3-1A-Broad Street to Baker Street	974,822
M5712-2651	Cherokee Street From Duncan To Calmes Emergency Sewer Line Replacement	180,867
M5712-2657	Overlook Waterline Replacement From University Boulevard To Mississippi Street	14,040
M5712-2663	Halls Mill Force Main Survey for Future Parallel/Redundant Line	47,860
VARIOUS	Miscellaneous Wastewater Projects	16,123
		<hr/> 17,145,790
	<u>OTHER PROJECTS</u>	
17049	Robert E Lee Water and Sewer Replacement	7,789
3171600	Liquid Lime System Procurement	30,635
3180700	SCADA Hardware Standards and Software Selection	190,703
3181800	Vehicle Camera System RFP	51,234
3206500	PIMS Software Selection	10,171
50108991	Duncan Ave Water and Sewer Replacement	24,795
2016-202-02	2016 Drainage Improvements Dohm Street and Florida Street	113,466
2019-301	Smokerise Subdivision Resurfacing	10,221
4118.ALU	Broad Street Utility Relocation	1,278,783
M0042-4123	Widening Ziegler Boulevard from Athey Road to Forrest Hill Drive	28,358
M5712-2313	Briley Collins Sewer Replacement & Waterline Improvement	93,672
M5712-2644	Roof Replacements At Various Locations	903,687
M5712-2659	Saint Francis Street Emergency Sewer Line and Water Line Replacement	8,171
M5712-2669	Springhill Payment Center Generator Replacement	7,967
M5712-2672	Saint Francis Street Emergency Sewer Line and Water Line Replacement	182,893
NS.13996.000	Del Barco Drive Water and Sewer Replacement	241,963
NS.14622.000	Widening Ziegler Boulevard Water and Sewer Relocation from Schillinger Road to Cody Road	13,570
VARIOUS	Miscellaneous Other Projects	9,415
		<hr/> 3,207,492
	<u>TOTAL CAPITAL PROJECT EXPENDITURES - 2019</u>	<hr/> <u>\$ 32,395,522</u>

SINGLE AUDIT SECTION

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

The Board of Commissioners
The Board of Water and Sewer Commissioners
of the City of Mobile, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type and fiduciary activities of The Board of Water and Sewer Commissioners of the City of Mobile, Alabama (the Board), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated August 7, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be 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 Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Jackson Thornton & Co. PC

Montgomery, Alabama
August 7, 2020

**Independent Auditor's Report on Compliance For Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

The Board of Commissioners
The Board of Water and Sewer Commissioners
of the City of Mobile, Alabama

Report on Compliance for Each Major Federal Program

We have audited The Board of Water and Sewer Commissioners of the City of Mobile, Alabama's (the Board) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended December 31, 2019. The Board'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Board's compliance.

Opinion on Each Major Federal Program

In our opinion, the Board 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 December 31, 2019.

Report on Internal Control over Compliance

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

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

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

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

Jackson Thornton & Co. PC

Montgomery, Alabama
August 7, 2020

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY	IDENTIFYING NUMBER	FEDERAL EXPENDITURES
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY:</u>				
Clean Water State Revolving Fund				
Capitalization Grants for Clean Water State Revolving Fund	63.458	ADEM	2016-CWSRF-DL	\$ 1,692,893
Capitalization Grants for Clean Water State Revolving Fund	66.458	ADEM	2018-CWSRF-DL	978,816
Subtotal Clean Water State Revolving Fund				<u>2,671,709</u>
Drinking Water State Revolving Fund				
Capitalization Grants for Drinking Water State Revolving Fund	66.468	ADEM	2018-DWSRF-DL	<u>5,100,191</u>
Subtotal Drinking Water State Revolving Fund				<u>5,100,191</u>
Total U.S. Environmental Protection Agency				<u>7,771,900</u>
Total expenditures of federal awards				<u>\$ 7,771,900</u>

Board of Water and Sewer Commissioners of the City of Mobile, Alabama
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal loan activity of the Board of Water and Sewer Commissioners of the City of Mobile, Alabama (the Board) under programs of the federal government for the year ended December 31, 2019. Expenditures reported on the schedule are reported on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some of the amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Reporting Entity

The Board's reporting entity is fully described in Note 1 to the financial statements.

Note 3 - Indirect Cost Rate

The Board has elected not to use the 10 percent *de minimis* indirect cost rate allowed under Uniform Guidance.

Note 4 - Subrecipients

There were no awards passed through to subrecipients.

Board of Water and Sewer Commissioners of the City of Mobile, Alabama
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2019

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: *unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes X No
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes X No

Type of auditor's report issued on compliance for major programs: *unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____ Yes X No

Identification of major programs:

<i>CFDA</i> <u>Number(s)</u>	<u>Name of Federal Program</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee? _____ Yes X No

Board of Water and Sewer Commissioners of the City of Mobile, Alabama
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2019

Section II - Financial Statement Findings:

No matters to be reported.

Section III - Findings and Questioned Costs for Federal Awards:

No matters to be reported.

Board of Water and Sewer Commissioners of the City of Mobile, Alabama
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2019

There were no prior year findings reported.