

An aerial photograph of a large concrete dam with a reservoir behind it. The dam has a walkway with yellow double lines and a chain-link fence. The reservoir is dark blue, and the background is a dense forest of green trees under a clear sky.

2021

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEARS
ENDED DECEMBER
31, 2021 AND 2020

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

In an effort to continue to promote our Mission, Vision, and Values, MAWSS has undertaken a major effort to update our strategic plan. This plan includes multiple items under the following categories:

- Fiscal Sustainability
- Internal Process / Operations Efficiency, Effectiveness, and Sustainability
- Customer Satisfaction
- Employee Engagement and Development

Key performance indicators have been developed for all, and will be tracked to determine progress. The underlying goal is to continue to find innovative ways of reducing the cost of service while improving customer services and protecting the environment.

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

**ANNUAL
COMPREHENSIVE
FINANCIAL
REPORT**

**FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020**

**Prepared by
MAWSS Accounting Department**

MISSION STATEMENT

Mobile Area Water and Sewer System will protect and enhance the health, safety, and economic wellbeing 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. |
| 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

ANNUAL COMPREHENSIVE
FINANCIAL REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

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INTRODUCTORY SECTION



May 2, 2022

Ms. Sheri Weber, 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) Annual Comprehensive Financial Report for the year ending December 31, 2021. 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.

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, 2021. 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 91,000 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. Revenues are used to first pay Operating Expenses, then Debt Service for both Revenue Bonds and Subordinated Debt. The remaining funds are used for Capital Improvements.

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 twelfth largest port in the nation in total tonnage. Mobile is served by five railroads and a rail ship service that operates two double deck rail-ferries. Also serving the transportation hub are two municipal airports and two major interstate highways, I-10 and I-65.

Mobile's business sector is diversified with close to fifty international companies located in the area. These include some of the Board's largest consumers; Evonik, INEOS Phenol, Kimberly-Clark, UOP Honeywell, and Mitsubishi Polycrystalline Silicon America. Mobile is home to Evonik's largest North American site, with over 850 employees producing aerosol fumed silica and hydrogen peroxide. 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 United States, 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 expanding aerospace and maritime industries.



At the end of 2021, the City of Mobile's unemployment rate was at 4.6% compared to the Alabama's 3.1% and the nation's 3.9%. 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, as well as to keep customer rates as low as possible.

In regard to the water system, the treatment plants and raw water conveyance systems were evaluated during the master plan for resiliency, redundancy, physical condition and technology to ensure the systems remain operational during times of power outage. The E.M. Stickney water treatment plant was constructed in 1944. A project was recently awarded to construct major electrical renovations throughout the plant. At the H.E. Myers Water Treatment Plant, a solids handling facility is being completely renovated.

The predominant cause of sanitary sewer overflows (SSOs) in MAWSS' aging collection system is storm water inflow and infiltration through defects in aging 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 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 wet weather conveyance and storage facilities in the Halls Mill Creek, Three Mile Creek and Eslava Creek sewer sheds. The Halls Mill Creek and Three Mile Creek Wet Weather Conveyance and Storage Facilities are complete and in service. The Eslava Creek Facility is in the design phase and easements are being acquired.



Wastewater related projects underway include the Wright Smith, Jr. Wastewater Treatment Plant Headworks Replacement, C.C. Williams Wastewater Treatment Plant Dewatering Facility, Eslava Creek Force Main Replacement Phase 2, Crenshaw St. Lift Station and Force Main upgrades, Magnolia Grove Lift Station and Force Main, Augusta Lift Station and Force Main upgrades and sanitary sewer renovations,

In June of 2020, The Alabama Department of Environmental Management ("ADEM") filed suit against MAWSS, alleging that MAWSS caused unpermitted discharges in the form of Sanitary Sewer Overflows (SSOs). MAWSS entered a Consent Order with ADEM and the Alabama Attorney General on October 12, 2021. Civil penalties in the amount of \$954,000 must be paid over a period of 5 years. The injunctive relief program is predominantly performing projects identified in the Board's Master Plan.

Major initiatives

The Board closed on a \$32,260,000 CWSRF loan in February of 2021. These funds are currently being used in-part for the Three Mile Creek SWAT and Trunk Sewer, the Eslava Creek Force Main project, and the Smith WWTP Headworks project. These projects are part of the previously mentioned efforts to minimize SSOs through collection system rehabilitation and increased conveyance and storage capacity.

In the first quarter of 2021, The Board submitted supplemental loan applications to ADEM for both a CWSRF loan of \$41,000,000 and a DWSRF loan of \$15,350,000. These loans closed in the first quarter of 2022. The CWSRF funds will be used for the aforementioned water and wastewater projects.

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 2021 was \$1,300,000.

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 a funded the liability at a rate of 104%.

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 annual comprehensive financial report for the fiscal year ended December 31, 2020. This was the twentieth 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 annual comprehensive 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 annual comprehensive 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 black ink, appearing to read "Billy J. McCrory, Jr.", is written over a horizontal line.

Billy J. McCrory, Jr., Executive 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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2020

Christopher P. Morill

Executive Director/CEO

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

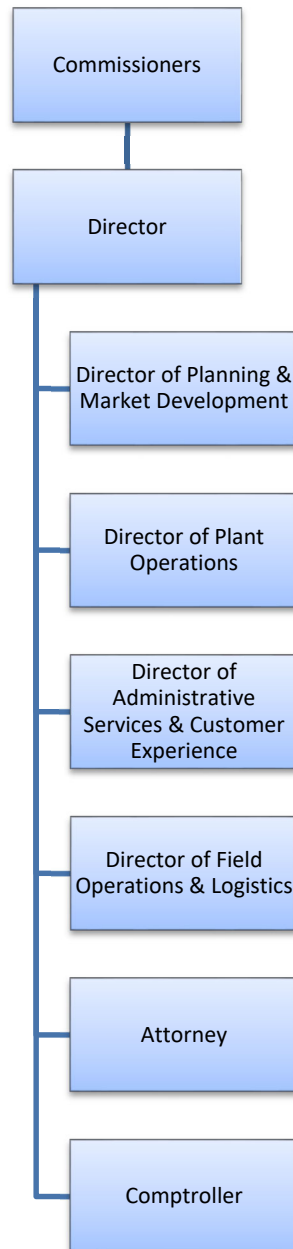
Appointed Commissioners

December 31, 2021

| | |
|----------------------|---|
| Sheri N. Weber | Chair October 4, 2016 to October 1, 2022 |
| Thomas Zoghby | Vice-Chair March 23, 2021 to October 1, 2026 |
| Raymond L. Bell, Jr. | Secretary-Treasurer August 11, 2020 to October 1, 2024 |
| Barbara Drummond | Commissioner July 7, 2020 to February 2, 2026 |
| Maria Gonzalez | Commissioner April 4, 2020 to April 28, 2026 |
| Kenneth W. Nichols | Commissioner December 13, 2016 to February 1, 2022 |
| Linda St. John | Commissioner December 21, 2021 to December 21, 2027 |

BOARD OF WATER AND SEWER COMMISSIONERS OF THE CITY OF MOBILE

Organization Chart December 31, 2021



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

**Selected Administrative Staff
December 31, 2021**

| | |
|--------------------|--|
| Billy McCrory, Jr. | Executive Director |
| Doug Cote | Director of Plant Operations |
| Calressia Clark | Director of Field Operations & Logistics |
| Daryl Russell | Director of Planning & Marketing Development |
| Fatima Washington | Director of Administrative Services & Customer Experience |
| Bradley Dean | Attorney |
| Van Shepard | Comptroller |
| Mitch Jackson | Customer Operations Manager |
| Monica Allen | Public Affairs Manager |
| Russell Lomax | Water and Sewer Operations Manager |
| Markus Moore | Engineer II |

FINANCIAL SECTION

Independent Auditor's Report

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

Opinion

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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type and fiduciary activities of the Board as of December 31, 2021 and 2020, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14 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 52 through 55 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.

Supplementary 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 accompanying supplementary information section and schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated April 28, 2022 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
April 28, 2022

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, 2021. Please read it in conjunction with the transmittal letter, beginning on page i, and the Board's financial statements which begin on page 15.

Financial Highlights

The following are financial highlights of the Board for the year ending December 31, 2021:

- The assets and deferred outflows of resources of the Board exceeded its liabilities and deferred inflows of resources at the close of 2021 and 2020 by \$451.1 million (net position) and \$429.6 million (net position), respectively. Of these amounts, unrestricted net position was \$13.1 million and \$9.2 million as of December 31, 2021 and 2020, 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 2021, the OPEB liability was overfunded by \$.9 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 \$7.6 million over the past six years to offset this liability, and will continue to fund it in the 2021 Budget. The amount of the unfunded liability at the end of 2021 was \$38.6 million.
- The Board's net position increased by \$21.5 million during the current year and by \$29.3 million during the prior year.
- There was an increase of \$3.3 million in operating costs for 2021, or 4%. There were slight increases in both water and wastewater treatment costs, as well as supervision and general and capital improvement fund expenses, and there was also an increase in depreciation expense of \$.8 million. In 2020, there was a decrease of \$.7 million in operating costs for compared to 2019. There were slight decreases in both water and wastewater treatment costs, as well as support services and capital improvement fund expenses. The increase in supervision and general expenses was due to the unfunded pension liability adjustment, and there was also an increase in depreciation expense of \$.7 million

- 2021 saw an increase of \$.3 million, or .3%, in operating revenues. This was the result of a 3% rate increase, offset by an increase to the allowance for doubtful accounts. Total water pumped and sold were basically even from current year compared to prior year. Operating revenues increased by \$5.4 million in 2020, or 4.9%, due to increased revenues from a water and sewer rate increase and the addition of the new AMI meters installed. In 2020, the Board implemented an overall effective rate increase of 3%. The actual realized effect of the rate increase, approximately 2.6%, was offset by an addition to the allowance for doubtful accounts.
- Transfers to the Capital Improvement Fund accounts for capital projects totaled \$26.3 million in 2021 compared to \$39.1 million in 2020.

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 22 to 54 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 \$451.1 million at the end of 2021, \$429.6 million at the end of 2020, and \$400.2 million at the end of 2019.

Condensed Balance Sheets
(In Thousands)

| | 2021 | 2020 | 2019 |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Current assets | \$ 82,251 | \$ 94,371 | \$ 84,681 |
| Noncurrent assets | 86,807 | 48,199 | 73,137 |
| Capital assets | <u>654,694</u> | <u>630,065</u> | <u>574,457</u> |
| Total assets | <u>823,752</u> | <u>772,635</u> | <u>732,275</u> |
| Deferred outflows of resources | <u>7,829</u> | <u>5,090</u> | <u>4,711</u> |
| Current liabilities | 41,184 | 43,052 | 44,057 |
| Noncurrent liabilities | <u>331,989</u> | <u>295,781</u> | <u>279,556</u> |
| Total liabilities | <u>373,173</u> | <u>338,833</u> | <u>323,613</u> |
| Deferred inflows of resources | <u>7,352</u> | <u>9,337</u> | <u>13,166</u> |
| Net position: | | | |
| Net investment in capital assets | 412,390 | 395,009 | 382,755 |
| Restricted | 25,571 | 25,274 | 25,536 |
| Unrestricted | <u>13,095</u> | <u>9,272</u> | <u>(8,084)</u> |
| Total net position | <u>\$ 451,056</u> | <u>\$ 429,555</u> | <u>\$ 400,207</u> |

The largest portion of the Board's net position (91.4% in 2021, 92.0% in 2020, and 95.6% in 2019) 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 \$23.8 million annually for pay-as-you-go projects and major repairs and replacements to the system. The Board transferred \$26.3 million from the Operating account to the Capital Improvement Fund account in 2021 compared to \$39.1 million in 2020 and \$26.4 million in 2019.

The Board's Unrestricted Net Position increased by \$3.8 million during 2021 compared to an increase of \$17.3 million in 2020. The 2021 rate increase was a factor in the current year increase, as was the rate increase in the prior year. 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)

| | 2021 | 2020 | 2019 |
|--|-------------------|-------------------|-------------------|
| REVENUES | | | |
| Operating revenues, pledged as security: | | | |
| Water sales | \$ 44,634 | \$ 44,575 | \$ 42,539 |
| Sewer charges | 70,328 | 70,034 | 66,699 |
| Total operating revenues | <u>114,962</u> | <u>114,609</u> | <u>109,238</u> |
| Non-operating revenues: | | | |
| Investment earnings | (51) | 505 | 1,430 |
| Miscellaneous and sale of property | 1,860 | 1,015 | 913 |
| Total non-operating revenues | <u>1,809</u> | <u>1,520</u> | <u>2,343</u> |
| Total revenues | 116,771 | 116,129 | 111,581 |
| EXPENSES | | | |
| Operating expenses: | | | |
| Water and sewer services | 35,973 | 36,321 | 37,438 |
| Support services | 4,432 | 4,745 | 4,943 |
| Supervision and general expenses | 19,373 | 17,470 | 17,362 |
| Restricted accounts expenses | 2,057 | 721 | 930 |
| Depreciation expense | 24,568 | 23,852 | 23,157 |
| Total operating expenses | <u>86,403</u> | <u>83,109</u> | <u>83,830</u> |
| Non-operating expenses | <u>10,709</u> | <u>8,996</u> | <u>9,151</u> |
| Total expenses | <u>97,112</u> | <u>92,105</u> | <u>92,981</u> |
| Income before contributions | 19,659 | 24,024 | 18,600 |
| Capital grants and contributions | <u>1,842</u> | <u>5,324</u> | <u>206</u> |
| Change in net position | 21,501 | 29,348 | 18,806 |
| Net position - beginning of year | 429,555 | 400,207 | 381,401 |
| Net position - end of year | <u>\$ 451,056</u> | <u>\$ 429,555</u> | <u>\$ 400,207</u> |

Net position increased by \$21.5 million in 2021, \$29.3 million in 2020, and \$18.8 million in 2019. Key elements of the changes are as follows:

Revenue:

- For 2021, operating revenues increased from \$114.6 million to \$114.9 million, an increase of \$.3 million, or .3%. While volumetric potable water sales were down 3%, the increase in rate fees allowed revenues to stay the same as compared to last year.
- For 2020, operating revenues increased from \$109.2 million to \$114.6 million, an increase of \$5.4 million, or 4.9%. While volumetric potable water sales were up 7.7%, sewer services showed an increase of only 5.4%. However, when comparing all charges and fees for water and sewer, the increase percentages were basically equal at 4.8% and 5.0%, respectively.

Expenses:

- Operating expenses increased by \$3.3 million, or 3.9% in 2021. There were slight increases in almost all categories but the biggest increases were in capital improvement fund expenses and supervision and general. These two categories saw an increase of \$1.3 million and \$2 million, respectively.
- Operating expenses decreased by \$.7 million, or .9% in 2020. Total O&M expenses were down \$1.2 million and capital improvement fund expenses were down \$.2 million. These decreases were offset by an increase in depreciation expense of \$.7 million. The decrease in O&M expenditures included adjustments to the unfunded pension amount and post-employment benefits of \$.7 million and (\$3) million, respectively.

Capital Grants and Contributions:

- In 2021, total capital grants and contributions totaled \$1.8 million, including \$1.5 million in lines accepted and \$.3 million in contributions.
- In 2020, total capital grants and contributions totaled \$5.3 million, including \$1.5 million in lines accepted, \$.2 million in contributions, and a \$3.7 million grant from the RESTORE Act. The Spill Impact project is titled the Perch Creek Area Sanitary Sewer Trunk Line Cured in Place Pipe (CIPP).

Capital Asset and Debt Administration

Capital assets. The Board's investment in capital assets as of December 31, 2021 and 2020, amounted to \$654.7 million and \$630.1 million, respectively, net of accumulated depreciation. The investment in capital assets includes land, buildings, infrastructure, machinery and equipment, and timber rights. During 2021, the total increase in the Board's net investment in capital assets was 3.9% compared to the 2020 increase of

9.7%. Construction project commitments at the end of the year totaled \$42.0 million for 2021 compared to \$27.0 million for 2020. Several large projects identified by the master plan were bid and awarded also in 2021; notably the Williams Wastewater Treatment Plant Dewatering and Other Improvements in the amount of \$21.8 million, and the Eslava Creek Force Main Replacement, Phase 2 in the amount of \$15.1 million. Phase 2 is the latest phase of the Eslava Creek Force Main project which had a total cost of \$59 million. The Board also entered into a settlement agreement during 2021 with the Alabama Department of Environmental Management regarding permit violations. The Board has committed to performing remedial actions that must be completed by December 31, 2026. The estimated cost of the project is approximately \$100,000,000 which will consist of system improvements. A listing of capital project expenditures for 2021 is included in the statistical section.

- Sewer rehabilitation projects accounted for the majority of capital expenditures. A total of \$35,818,308 was spent in 2021 and allocated as follows:
 - Sewer line, mains, and manhole rehabilitation/replacement, \$19,844,809
 - Sewer lift station and decentralization system improvements, \$973,491
 - Sewer plant improvements and miscellaneous costs, \$8,712,463
 - Severe Weather Attenuation Basins and Tanks, \$6,287,545
- Water-related project costs for 2021 totaled \$6,202,446. The following items are included in these costs:
 - Water line extensions and improvements, \$6,151,824
 - Other miscellaneous, \$50,622
- Other capital expenditures amounted to \$2,820,319 during 2021 and include the following:
 - Water and sewer combined extensions, \$2,197,215
 - Utility Relocations, and other miscellaneous, \$623,104
- Major projects completed and capitalized during 2021 include the following:
 - Advanced Metering Infrastructure, \$22,312,133
 - 2019 Large Diameter CIPP Sewer Lining, \$2,145,979
 - Wright Smith Primary Digester Cover Replacement, \$1,712,028
 - Emergency Depressed Sewer Replacement Halls Mill Creek, \$1,897,590
 - Briley Collins Sewer Replacement and Waterline Improvement, \$1,955,987

During 2020, major capital assets events included: sewer rehabilitation projects in the amount of \$56,714,848; water-related project costs totaling \$13,992,771; and other capital expenditure amounts of \$3,505,071.

Capital Assets
(net of accumulated depreciation)

| | 2021 | 2020 | 2019 |
|-------------------------------------|-----------------------|-----------------------|-----------------------|
| Water and sewer systems | \$ 491,143,530 | \$ 471,902,614 | \$ 478,255,236 |
| Vehicles | 2,412,702 | 3,539,933 | 3,738,239 |
| Equipment and furnishings | 6,775,055 | 7,251,433 | 8,015,616 |
| Buildings and improvements | 19,604,927 | 20,234,125 | 19,544,249 |
| Land | 11,784,949 | 10,419,343 | 10,385,281 |
| Timber rights and other intangibles | 1,195,133 | 1,436,355 | 1,115,033 |
| Construction in progress | 121,777,876 | 115,281,461 | 53,403,530 |
| Total | <u>\$ 654,694,172</u> | <u>\$ 630,065,264</u> | <u>\$ 574,457,184</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, 2021, the Board had total long-term debt outstanding of \$307.7 million versus \$277.4 million in 2020, an increase of 10.9%. This increase is due to the addition of a \$36,000,000 CWSRF loan and \$12,865,000 DWSRF loan less combined reductions of \$18.5 million. The State Revolving fund bonds are subordinate to the Revenue Bonds. All bond debt covenants have been met.

At December 31, 2020, the Board had total long-term debt outstanding of \$277.4 million versus \$262.1 million in 2019, an increase of 5.9%. This increase is due to the addition of a \$32,260,000 CWSRF loan less combined reductions of \$16.5 million. The State Revolving fund bonds are subordinate to the Revenue Bonds. All bond debt covenants have been met.

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 47 of this report.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate at December 31, 2021: The City of Mobile at 4.6%, compared to the State of Alabama and the nation at 3.1% and 3.9%, 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 had approved a 3% volumetric rate increase for 2022. This increase became went into effect January 1, 2022.

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, 2021 AND 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------|-----------------------|
| CURRENT ASSETS | | |
| Cash and equivalents | \$ 49,640,642 | \$ 42,839,970 |
| Investments | 885,983 | 3,473,925 |
| Restricted cash and cash equivalents: | | |
| Revenue bond covenant accounts | 14,670,152 | 14,153,616 |
| Receivables: | | |
| Interest receivable, unrestricted | 31 | 3,831 |
| Interest receivable, restricted | 57,998 | 47,974 |
| Billed user charges, net of allowance of \$3,606,869 and \$2,603,585 | 8,392,120 | 9,689,363 |
| Unbilled user charges | 4,248,489 | 5,340,236 |
| Contracts receivable, net of allowance of \$106,867 and \$107,781 | 1,380 | 3,016 |
| Miscellaneous | 180,920 | 161,981 |
| Inventory of materials, chemicals and supplies - at cost | 3,125,605 | 2,907,439 |
| Prepaid expenses | 1,047,509 | 784,920 |
| Total current assets | <u>82,250,829</u> | <u>79,406,271</u> |
| NONCURRENT ASSETS | | |
| Restricted cash and cash equivalents: | | |
| Capital improvement funds | 14,954,717 | 14,964,742 |
| Investments | 428,277 | 707,690 |
| Receivable from Alabama Dept of Environmental Mgmt (ADEM), restricted | 63,645,931 | 40,155,180 |
| Grant proceeds receivable, restricted | 3,492,198 | 3,665,048 |
| Net other postemployment benefits | 872,846 | |
| Capital assets: | | |
| Utility plant and equipment | 1,000,363,061 | 963,087,313 |
| Less accumulated depreciation | <u>479,231,714</u> | <u>458,722,853</u> |
| | 521,131,347 | 504,364,460 |
| Land | 11,784,949 | 10,419,343 |
| Construction in progress | <u>121,777,876</u> | <u>115,281,461</u> |
| Total capital assets (net of accumulated depreciation) | <u>654,694,172</u> | <u>630,065,264</u> |
| Unamortized regulatory asset | <u>3,413,600</u> | <u>3,670,444</u> |
| Total noncurrent assets | <u>741,501,741</u> | <u>693,228,368</u> |
| TOTAL ASSETS | <u>823,752,570</u> | <u>772,634,639</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflow, bond refunding | 1,823,225 | 2,227,322 |
| Pension related | <u>6,005,685</u> | <u>2,862,903</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>7,828,910</u> | <u>5,090,225</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 831,581,480</u> | <u>\$ 777,724,864</u> |

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

BALANCE SHEETS - CONTINUED

LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND NET POSITION

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------|-----------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 5,720,033 | \$ 6,735,110 |
| Accrued payroll and related withholdings | 901,355 | 964,296 |
| Compensated absences - current portion | 3,359,172 | 3,358,533 |
| Customer meter deposits | 6,030,368 | 5,607,395 |
| Contingent insurance liability | 2,809,691 | 2,713,123 |
| Contracts and retainages payable | 1,508,380 | 1,790,863 |
| Interest payable, funded by restricted assets | 4,112,360 | 3,892,521 |
| Current maturities of revenue bonds payable | 16,742,353 | 17,990,232 |
| Total current liabilities | <u>41,183,712</u> | <u>43,052,073</u> |
| NONCURRENT LIABILITIES | | |
| Revenue bonds payable | 291,031,071 | 259,448,333 |
| Compensated absences - long-term portion | 2,328,169 | 2,314,768 |
| Net pension liability | 38,630,154 | 33,349,232 |
| Net other postemployment benefits | | 668,431 |
| Total noncurrent liabilities | <u>331,989,394</u> | <u>295,780,764</u> |
| TOTAL LIABILITIES | <u>373,173,106</u> | <u>338,832,837</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension related | 329,164 | 493,747 |
| Other postemployment benefit related | 7,022,723 | 8,842,940 |
| Total deferred inflows of resources | <u>7,351,887</u> | <u>9,336,687</u> |
| NET POSITION | | |
| Net investment in capital assets | 412,389,904 | 395,009,201 |
| Restricted for | | |
| Debt service | 10,570,507 | 10,273,811 |
| Other bond covenants | 15,000,000 | 15,000,000 |
| Unrestricted | <u>13,096,076</u> | <u>9,272,328</u> |
| TOTAL NET POSITION | <u>451,056,487</u> | <u>429,555,340</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | <u>\$ 831,581,480</u> | <u>\$ 777,724,864</u> |

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, 2021 AND 2020

| OPERATING REVENUES PLEDGED AS SECURITY FOR REVENUE BONDS | <u>2021</u> | <u>2020</u> |
|---|-----------------------|-----------------------|
| Water sales | \$ 44,633,938 | \$ 44,575,097 |
| Sewer charges | 70,328,137 | 70,034,179 |
| Total operating revenues | <u>114,962,075</u> | <u>114,609,276</u> |
| OPERATING EXPENSES | | |
| Water supply | 2,283,823 | 1,906,486 |
| Water treatment | 6,171,376 | 6,046,753 |
| Wastewater treatment | 7,282,974 | 6,728,642 |
| Transmission and collection | 20,235,260 | 21,639,446 |
| Support services | 4,431,794 | 4,744,760 |
| Supervision and general | 19,373,109 | 17,470,121 |
| Capital improvement fund accounts | 2,056,837 | 720,763 |
| Depreciation | 24,568,410 | 23,851,718 |
| Total operating expenses | <u>86,403,583</u> | <u>83,108,689</u> |
| OPERATING INCOME | <u>28,558,492</u> | <u>31,500,587</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Investment earnings | (51,027) | 504,755 |
| Miscellaneous rentals and sale of property | 1,860,463 | 1,014,502 |
| Loss on disposal of assets | (1,277,690) | (346,223) |
| Bond interest and amortization expense | (9,411,102) | (8,639,583) |
| Bond issuance costs | (20,000) | (10,000) |
| Total non-operating expenses | <u>(8,899,356)</u> | <u>(7,476,549)</u> |
| INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS | 19,659,136 | 24,024,038 |
| CAPITAL GRANTS AND CONTRIBUTIONS | <u>1,842,011</u> | <u>5,324,654</u> |
| CHANGE IN NET POSITION | 21,501,147 | 29,348,692 |
| TOTAL NET POSITION - BEGINNING OF YEAR | <u>429,555,340</u> | <u>400,206,648</u> |
| TOTAL NET POSITION - END OF YEAR | <u>\$ 451,056,487</u> | <u>\$ 429,555,340</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, 2021 AND 2020

| | 2021 | 2020 |
|---|---------------------------------|---------------------------------|
| CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES | | |
| Receipts from customers and users | \$ 117,803,136 | \$ 112,736,096 |
| Payments to suppliers | (42,411,944) | (38,460,426) |
| Payments to employees | (22,284,970) | (23,367,518) |
| Net cash from operating activities | <u>53,106,222</u> | <u>50,908,152</u> |
| CASH FLOWS FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets and payments on construction projects | (47,355,307) | (77,700,192) |
| Proceeds from bonds | 25,374,249 | 59,852,286 |
| Principal paid on bonds | (17,990,232) | (16,369,212) |
| Interest paid on bonds | (9,327,075) | (8,630,233) |
| Bond issuance costs | (20,000) | (10,000) |
| Proceeds from sale of capital assets | 702,998 | 99,709 |
| Net cash used for capital and related financing activities | <u>(48,615,367)</u> | <u>(42,757,642)</u> |
| CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES | | |
| Proceeds from sales and maturities of investments | 2,806,994 | 4,311,875 |
| Purchases of investments | (14,503) | (2,638,510) |
| Interest and dividends received | 23,837 | 504,755 |
| Net cash from investing activities | <u>2,816,328</u> | <u>2,178,120</u> |
| Net increase in cash and equivalents | 7,307,183 | 10,328,630 |
| Cash and equivalents, beginning of year - restricted and unrestricted | <u>71,958,328</u> | <u>61,629,698</u> |
| Cash and equivalents, end of year - restricted and unrestricted | <u><u>\$ 79,265,511</u></u> | <u><u>\$ 71,958,328</u></u> |

BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| RECONCILIATION OF CASH AND EQUIVALENTS PER STATEMENTS OF CASH FLOWS TO BALANCE SHEETS: | | |
| Cash and equivalents, beginning of year: | | |
| Current | \$ 42,839,970 | \$ 32,381,581 |
| Restricted | 29,118,358 | 29,248,117 |
| Total | <u>71,958,328</u> | <u>61,629,698</u> |
| Net increase (decrease): | | |
| Current | 6,800,672 | 10,458,389 |
| Restricted | 506,511 | (129,759) |
| Total | <u>7,307,183</u> | <u>10,328,630</u> |
| Cash and equivalents, end of period: | | |
| Current | 49,640,642 | 42,839,970 |
| Restricted | 29,624,869 | 29,118,358 |
| Total | <u>\$ 79,265,511</u> | <u>\$ 71,958,328</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| Operating income | <u>\$ 28,558,492</u> | <u>\$ 31,500,587</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation expense | 24,568,410 | 23,851,718 |
| Amortization expense | 256,844 | - |
| Bad debts | 2,071,580 | 1,170,922 |
| Miscellaneous income (expense) | (120,225) | 568,570 |
| (Increase) decrease in receivables | 888,070 | (3,617,705) |
| (Increase) decrease in contracts receivable | 1,636 | 5,033 |
| (Increase) decrease in inventories | (218,166) | 2,269,502 |
| (Increase) decrease in prepaid expenses | (262,589) | 385,083 |
| Increase (decrease) in payables | (1,297,560) | (3,562,987) |
| Increase (decrease) in compensated absences | (48,901) | 501,696 |
| Increase (decrease) in contingent insurance liability | 96,568 | 123,253 |
| Increase (decrease) in other postemployment benefits | (3,361,494) | (2,951,684) |
| Increase (decrease) in pension liabilities | 1,973,557 | 664,164 |
| Total adjustments | <u>24,547,730</u> | <u>19,407,565</u> |
| Net cash provided by operating activities | <u>\$ 53,106,222</u> | <u>\$ 50,908,152</u> |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES: | | |
| Lines accepted and contributions for extensions | \$ 1,842,011 | \$ 1,824,654 |
| Capital contributions | | 3,500,000 |
| Approved but unadvanced bonds | 47,348,911 | 29,692,963 |

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, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|----------------------------------|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 843,234 | \$ 468,624 |
| Receivables | | |
| Contributions receivable | 315,356 | 28,618 |
| Accrued income | 42,332 | 36,540 |
| Total receivables | <u>357,688</u> | <u>65,158</u> |
| Investments at fair value | | |
| Equities | | |
| Common Stock | 6,995,231 | 5,732,211 |
| Mutual Funds - equity | 2,712,347 | 3,104,034 |
| Fixed income securities | | |
| U.S. Government obligations | 1,514,449 | 1,455,089 |
| Mortgage backed securities | 1,578,744 | 2,313,079 |
| Corporate bonds | 3,643,019 | 3,205,856 |
| International | | |
| Foreign stock | 628,023 | 672,146 |
| Mutual Funds - International | 652,412 | 676,485 |
| Total investments | <u>17,724,225</u> | <u>17,158,900</u> |
| TOTAL ASSETS | <u>\$ 18,925,147</u> | <u>\$ 17,692,682</u> |
| NET POSITION | | |
| Net position restricted for OPEB | <u>\$ 18,925,147</u> | <u>\$ 17,692,682</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, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| ADDITIONS | | |
| Employer contributions | \$ 983,807 | \$ 849,145 |
| Investment income | | |
| Dividends | 134,723 | 137,948 |
| Interest | 167,194 | 203,182 |
| Realized gain | 1,042,031 | 261,848 |
| Net appreciation (depreciation) in FV of investments | 573,557 | 1,524,336 |
| Investment expense | (68,323) | (62,877) |
| Capital gain distributions | 232,654 | 106,856 |
| Other (loss) gain | 4,203 | (7,695) |
| Net investment income | <u>2,086,039</u> | <u>2,163,598</u> |
| Total additions | <u>3,069,846</u> | <u>3,012,743</u> |
| DEDUCTIONS | | |
| OPEB benefits paid | 1,717,044 | 1,431,704 |
| Insurance expenses | 120,337 | 116,760 |
| Total deductions | <u>1,837,381</u> | <u>1,548,464</u> |
| NET INCREASE IN NET POSITION | 1,232,465 | 1,464,279 |
| NET POSITION RESTRICTED FOR OPEB BEGINNING OF YEAR | <u>17,692,682</u> | <u>16,228,403</u> |
| NET POSITION RESTRICTED FOR OPEB END OF YEAR | <u>\$ 18,925,147</u> | <u>\$ 17,692,682</u> |

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

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

I. 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 (7) 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.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Future Adoption of New Accounting Pronouncements - GASB Pronouncements that have been issued but are not yet effective at December 31, 2021

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 June 15, 2021. 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 \$3,713,736 and \$2,711,366 as of December 31, 2021 and 2020, 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.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

The following is a schedule of restricted assets and liabilities at December 31, 2021 and 2020:

| | 2021 | 2020 |
|---|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and equivalents | \$ 29,624,869 | \$ 29,118,358 |
| Interest receivable | 57,998 | 47,974 |
| Total restricted assets | <u>\$ 29,682,867</u> | <u>\$ 29,166,332</u> |
| Liabilities | | |
| Current liabilities | | |
| Interest payable | \$ 4,112,360 | \$ 3,892,521 |
| Total restricted liabilities | <u>4,112,360</u> | <u>3,892,521</u> |
| Net position | | |
| Debt service | 10,570,507 | 10,273,811 |
| Other bond covenants | 15,000,000 | 15,000,000 |
| Total restricted net position | <u>25,570,507</u> | <u>25,273,811</u> |
| Total restricted liabilities and net position | <u>\$ 29,682,867</u> | <u>\$ 29,166,332</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.

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.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 asset/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.

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, 75% of sick leave is payable only to those retiring from the system after 25 years of service at any age or age 60 with 10 years of service. For those employees hired beginning January 1, 2013, the requirements are age 62 with 10 years of service.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 \$6,030,368 and \$5,607,395 of its investments and unrestricted cash as of December 31, 2021 and 2020 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.

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 statements of revenues, expenses, and changes in net position.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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.

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.

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.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021 and 2020 are as follows:

| 2021 | Level 1 | Total |
|--------------------------|---------------------|---------------------|
| U.S. Government Agencies | \$ 428,277 | \$ 428,277 |
| Certificates of Deposit | 885,983 | 885,983 |
| Total | <u>\$ 1,314,260</u> | <u>\$ 1,314,260</u> |
| | | |
| 2020 | Level 1 | Total |
| U.S. Treasury Notes | \$ 2,595,896 | \$ 2,595,896 |
| U.S. Government Agencies | 707,690 | 707,690 |
| Certificates of Deposit | 878,029 | 878,029 |
| Total | <u>\$ 4,181,615</u> | <u>\$ 4,181,615</u> |

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

The fair value measurements of investments held by the Board's OPEB Trust at December 31, 2021 and 2020 are as follows:

| 2021 | Level 1 | Level 2 | Total |
|------------------------------|----------------------|---------------------|----------------------|
| Common Stock | \$ 6,997,278 | | \$ 6,997,278 |
| Mutual Funds - Equity | 2,714,279 | | 2,714,279 |
| U.S. Government Obligations | 1,523,282 | | 1,523,282 |
| Mortgage Backed Securities | | \$ 1,582,791 | 1,582,791 |
| Corporate Bonds | | 3,667,967 | 3,667,967 |
| Foreign Stock | 628,023 | | 628,023 |
| Mutual Funds - International | 652,937 | | 652,937 |
| Total | <u>\$ 12,515,799</u> | <u>\$ 5,250,758</u> | <u>\$ 17,766,557</u> |

| 2020 | Level 1 | Level 2 | Total |
|------------------------------|----------------------|---------------------|----------------------|
| Common Stock | \$ 5,735,480 | | \$ 5,735,480 |
| Mutual Funds - Equity | 3,104,034 | | 3,104,034 |
| U.S. Government Obligations | 1,459,713 | | 1,459,713 |
| Mortgage Backed Securities | | \$ 2,319,194 | 2,319,194 |
| Corporate Bonds | | 3,227,811 | 3,227,811 |
| Foreign Stock | 672,146 | | 672,146 |
| Mutual Funds - International | 677,062 | | 677,062 |
| Total | <u>\$ 11,648,435</u> | <u>\$ 5,547,005</u> | <u>\$ 17,195,440</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 requires the Board to expense interest during the construction phase of capital assets as incurred.

BOARD OF WATER AND SEWER COMMISSIONERS
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Capital asset activity for the year ended December 31, 2021 and 2020 is as follows:

| <u>Capital Assets</u> | <u>1/1/2021</u> | <u>Additions</u> | <u>Transfers / Deletions</u> | <u>12/31/2021</u> |
|---|-----------------------|----------------------|----------------------------------|-----------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 10,419,343 | \$ 1,400,606 | \$ 35,000 | \$ 11,784,949 |
| Construction in progress | 115,281,461 | 45,296,926 | 38,800,511 | 121,777,876 |
| | <u>125,700,804</u> | <u>46,697,533</u> | <u>38,835,511</u> | <u>133,562,825</u> |
| Total capital assets not being depreciated | | | | |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 30,032,649 | 129,928 | | 30,162,577 |
| Equipment and furniture | 37,998,296 | 1,608,160 | 1,874,593 | 37,731,863 |
| Vehicles | 14,098,999 | 298,717 | 998,291 | 13,399,425 |
| Water and sewer systems | 876,034,958 | 40,550,053 | 2,569,270 | 914,015,741 |
| Timber rights and other intangibles | 4,922,411 | 498,994 | 367,950 | 5,053,455 |
| | <u>963,087,313</u> | <u>43,085,852</u> | <u>5,810,104</u> | <u>1,000,363,061</u> |
| Total capital assets being depreciated | | | | |
| Less accumulated depreciation | | | | |
| Buildings and improvements | 9,798,524 | 759,125 | | 10,557,649 |
| Equipment and furniture | 30,746,863 | 2,084,539 | 1,874,593 | 30,956,809 |
| Vehicles | 10,559,066 | 1,425,950 | 998,291 | 10,986,725 |
| Water and sewer systems | 404,132,344 | 19,926,530 | 1,186,665 | 422,872,209 |
| Timber rights and other intangibles | 3,486,056 | 372,266 | | 3,858,322 |
| | <u>458,722,853</u> | <u>24,568,410</u> | <u>4,059,549</u> | <u>479,231,714</u> |
| Total accumulated depreciation | | | | |
| Total capital assets being depreciated, net | <u>504,364,460</u> | <u>18,517,442</u> | <u>1,750,555</u> | <u>521,131,347</u> |
| Capital assets, net | <u>\$ 630,065,264</u> | <u>\$ 65,214,974</u> | <u>\$ 40,586,066</u> | <u>\$ 654,694,172</u> |

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

| <u>Capital Assets</u> | <u>1/1/2020</u> | <u>Additions</u> | <u>Transfers / Deletions</u> | <u>12/31/2020</u> |
|---|-----------------------|----------------------|----------------------------------|-----------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 10,385,281 | \$ 34,062 | | \$ 10,419,343 |
| Construction in progress | <u>53,403,530</u> | <u>74,247,670</u> | <u>\$ 12,369,739</u> | <u>115,281,461</u> |
| Total capital assets not being depreciated | <u>63,788,811</u> | <u>74,281,732</u> | <u>12,369,739</u> | <u>125,700,804</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 28,590,356 | 1,442,293 | | 30,032,649 |
| Equipment and furniture | 36,724,355 | 1,297,536 | 23,595 | 37,998,296 |
| Vehicles | 13,470,117 | 1,307,565 | 678,683 | 14,098,999 |
| Water and sewer systems | 863,837,883 | 13,974,746 | 1,777,671 | 876,034,958 |
| Timber rights and other intangibles | <u>4,323,758</u> | <u>598,653</u> | | <u>4,922,411</u> |
| Total capital assets being depreciated | <u>946,946,469</u> | <u>18,620,793</u> | <u>2,479,949</u> | <u>963,087,313</u> |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 9,046,107 | 752,417 | | 9,798,524 |
| Equipment and furniture | 28,708,739 | 2,061,719 | 23,595 | 30,746,863 |
| Vehicles | 9,731,878 | 1,505,871 | 678,683 | 10,559,066 |
| Water and sewer systems | 385,582,647 | 19,254,380 | 704,683 | 404,132,344 |
| Timber rights and other intangibles | <u>3,208,725</u> | <u>277,331</u> | | <u>3,486,056</u> |
| Total accumulated depreciation | <u>436,278,096</u> | <u>23,851,718</u> | <u>1,406,961</u> | <u>458,722,853</u> |
| Total capital assets being depreciated, net | <u>510,668,373</u> | <u>(5,230,925)</u> | <u>1,072,988</u> | <u>504,364,460</u> |
| Capital assets, net | <u>\$ 574,457,184</u> | <u>\$ 69,050,807</u> | <u>\$ 13,442,727</u> | <u>\$ 630,065,264</u> |

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

NOTES TO FINANCIAL STATEMENTS
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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, 2021 and 2020 were as follows (in thousands).

| | <u>1/1/2021</u> | <u>Additions</u> | <u>Amortization</u> | <u>12/31/2021</u> |
|-----------------------------------|-----------------|------------------|---------------------|-------------------|
| Deferred outflows of resources: | | | | |
| Deferred charge on bond refunding | \$ 2,228 | \$ - | \$ (404) | \$ 1,824 |

| | <u>1/1/2020</u> | <u>Additions</u> | <u>Amortization</u> | <u>12/31/2020</u> |
|-----------------------------------|-----------------|------------------|---------------------|-------------------|
| Deferred outflows of resources: | | | | |
| Deferred charge on bond refunding | \$ 2,632 | \$ - | \$ (404) | \$ 2,228 |

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*.

BOARD OF WATER AND SEWER COMMISSIONERS
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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.

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

The ERS serves approximately 853 local participating employers. The ERS membership includes approximately 101,245 participants. As of September 30, 2020, membership consisted of:

| | ERS | Board |
|---|----------------|--------------|
| Retirees and beneficiaries currently receiving benefits | 28,672 | 256 |
| Terminated employees entitled to but not yet receiving benefits | 1,974 | 5 |
| Terminated employees not entitled to a benefit | 14,133 | 30 |
| Active members | 56,369 | 377 |
| Post-DROP participants still in active service | 97 | 3 |
| Total | <u>101,245</u> | <u>671</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.

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

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 years ended December 31, 2021 and 2020, the Board's active employee contribution rate was 7.06% and 7.07% of covered employee payroll, and the Board's average contribution rate to fund the normal and accrued liability costs was 10.96% and 10.69%, respectively, of covered employee payroll.

The Board's contractually required contribution rate for the year ended September 30, 2021, was 11.06% of pensionable pay for Tier 1 employees, and 10.86% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2017, 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 \$2,122,316 and \$2,221,781 for the years ended December 31, 2021 and 2020, respectively.

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Net Pension Liability

The Board's net pension liability study was measured using the measurement dates of September 30, 2020 and 2019. The Board has considered additional liability and contributions through December 31, 2021 and 2020, respectively. The Board has adjusted the net pension liability per valuation made as of the measurement dates of the September 30, 2020 and 2019 valuation to include additional liabilities and contributions made through the Board's fiscal years ending December 31, 2021 and 2020, respectively.

| | 2021 | 2020 |
|---------------------------------|----------------------|----------------------|
| Net pension liability per study | \$ 37,508,064 | \$ 32,876,798 |
| Roll-forward amounts: | | |
| Additional liabilities | 3,819,480 | 3,186,317 |
| Employer contributions | (2,697,390) | (2,713,883) |
| | <u>\$ 38,630,154</u> | <u>\$ 33,349,232</u> |

The total pension liability used to calculate net pension liability was determined by an actuarial valuation as of September 30, 2019, rolled forward to September 30, 2020 using standard roll-forward techniques as shown in the following table:

| | Expected | Actual |
|--|-----------------------|-----------------------|
| (a) TPL as of September 30, 2019 | \$ 106,863,126 | \$ 109,442,986 |
| (b) Discount rate | 7.70% | 7.70% |
| (c) Entry Age Normal Cost for the period October 1, 2019 - September 30, 2020 | 1,665,153 | 1,665,153 |
| (d) Transfers Among Employers: | | 64,570 |
| (e) Actual Benefit Payments and Refunds for the period October 1, 2019 - September 30, 2020 | (6,779,145) | (6,779,145) |
| (f) TPL as of September 30, 2020 = [(a) x (1.0770)] + (c) + (d) - [(e) x (1.0385)] | <u>\$ 109,716,598</u> | <u>\$ 112,559,677</u> |
| (g) Difference between Expected and Actual: | | \$ 2,843,079 |
| (h) Less Liability Transferred for Immediate Recognition: | | 64,570 |
| (i) Experience (Gain)/Loss = (g) - (h) | | <u>\$ 2,778,509</u> |

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The total pension liability used to calculate net pension liability was determined by an actuarial valuation as of September 30, 2018, rolled forward to September 30, 2019 using standard roll-forward techniques as shown in the following table:

| | <u>Expected</u> | <u>Actual</u> |
|--|-----------------------|-----------------------|
| (a) TPL as of September 30, 2018 | \$ 102,771,843 | \$ 103,295,001 |
| (b) Discount rate | 7.70% | 7.70% |
| (c) Entry Age Normal Cost for the period October 1, 2018 - September 30, 2019 | 1,601,369 | 1,601,369 |
| (d) Transfers Among Employers: | | (20,454) |
| (e) Actual Benefit Payments and Refunds for the period October 1, 2018 - September 30, 2019 | <u>(5,745,311)</u> | <u>(5,745,311)</u> |
| (f) TPL as of September 30, 2019 = [(a) x (1.0770)] + (c) + (d) - [(e) x (1.0385)] | <u>\$ 106,320,138</u> | <u>\$ 106,863,126</u> |
| (g) Difference between Expected and Actual: | | \$ 542,988 |
| (h) Less Liability Transferred for Immediate Recognition: | | <u>(20,454)</u> |
| (i) Experience (Gain)/Loss = (g) - (h) | | <u>\$ 563,442</u> |

Actuarial assumptions. The total pension liability as of September 30, 2020 and 2019, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2019 and 2018, respectively. 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 assumption used in the actuarial valuation as of September 30, 2018, 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 | <u>100.00%</u> | |

* 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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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, 2018 | \$ 102,771,843 | \$ 74,101,499 | \$ 28,670,344 |
| Changes for the year: | | | |
| Service cost | 1,601,369 | | 1,601,369 |
| Interest | 7,692,237 | | 7,692,237 |
| Difference between expected and actual experience | 563,442 | | 563,442 |
| Contributions - employer | | 2,171,106 | (2,171,106) |
| Contributions - employee | | 1,602,284 | (1,602,284) |
| Net investment income | | 1,877,204 | (1,877,204) |
| Benefit payments, including refunds of employee contributions | (5,745,311) | (5,745,311) | |
| Transfers among employers | (20,454) | (20,454) | |
| Net changes | <u>4,091,283</u> | <u>(115,171)</u> | <u>4,206,454</u> |
| Balances at September 30, 2019 | 106,863,126 | 73,986,328 | 32,876,798 |
| Changes for the year: | | | |
| Service cost | 1,665,153 | | 1,665,153 |
| Interest | 7,967,464 | | 7,967,464 |
| Difference between expected and actual experience | 2,778,509 | | 2,778,509 |
| Contributions - employer | | 2,157,912 | (2,157,912) |
| Contributions - employee | | 1,482,011 | (1,482,011) |
| Net investment income | | 4,139,937 | (4,139,937) |
| Benefit payments, including refunds of employee contributions | (6,779,145) | (6,779,145) | |
| Transfers among employers | 64,570 | 64,570 | - |
| Net changes | <u>5,696,551</u> | <u>1,065,285</u> | <u>4,631,266</u> |
| Balances at September 30, 2020 | <u>\$ 112,559,677</u> | <u>\$ 75,051,613</u> | <u>\$ 37,508,064</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 based on the actuarial valuation as of September 30, 2019 rolled forward to September 30, 2020.

| | 1.00% Decrease (6.70%) | Current Discount Rate (7.70%) | 1.00% Increase (8.70%) |
|------------------------------|---------------------------------------|--|---------------------------------------|
| Plan's Net Pension Liability | \$ 50,055,794 | \$ 37,508,064 | \$ 26,881,617 |

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, 2020. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2020. The auditor's report dated April 30, 2021, 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, 2021 and 2020, the Board recognized pension expense of \$4,086,478 and \$2,901,750 respectively.

At December 31, 2021, 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 | \$ 3,147,935 | \$ 329,164 |
| Changes in assumptions | 504,915 | |
| Net difference between projected and actual earnings on plan investments | 2,352,835 | |
| Total | <u>\$ 6,005,685</u> | <u>\$ 329,164</u> |

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At December 31, 2020, 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 | \$ 1,166,599 | \$ 493,747 |
| Changes in assumptions | 839,372 | |
| Net difference between projected and actual earnings on plan investments | <u>856,932</u> | |
| Total | <u><u>\$ 2,862,903</u></u> | <u><u>\$ 493,747</u></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:

| | |
|-------|----------------------------|
| 2022 | \$ 1,160,312 |
| 2023 | 1,504,751 |
| 2024 | 1,852,152 |
| 2025 | 861,607 |
| 2026 | <u>297,699</u> |
| Total | <u><u>\$ 5,676,521</u></u> |

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.

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Employees covered by benefit terms. For health and dental benefits, eligible employees must have been hired prior to January 1, 2002 and retire from the Board after meeting age and years of service conditions. For life insurance benefits, eligible employees must have been hired prior to September 1, 1994 and retire from the Board after meeting age and years of service conditions. At December 31, 2021, the following employees were covered by the benefit terms:

| | |
|--|-------------------|
| Inactive plan members or beneficiaries currently | |
| receiving benefit payments | 200 |
| Inactive plan members entitled to but not yet | |
| receiving benefit payments | 0 |
| Active plan members | <u>373</u> |
| Total | <u><u>573</u></u> |

Contributions. For employees hired prior to January 1, 2002 (health and dental benefits) and September 1, 1994 (life insurance benefits), 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 \$668,451 and \$544,058 to the Fiduciary Fund for future benefits for 2021 and 2020, respectively. Plan members receiving benefits contributed \$315,356 and \$276,469 of the cost in 2021 and 2020, respectively. The contribution requirements of retirees and the Board are established and may be modified, reduced, or amended by the Board.

Net OPEB Liability

The Board's net OPEB liability was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2021.

Actuarial assumptions. The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|--|
| Inflation | Mid-term: 3.00%, ultimate 2.25% |
| 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 6.00% to reflect actual first year costs, 5.75% in the second year and gradually decreasing to an ultimate trend rate of 3.75% |

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Mortality rates were based on the Pub-2010, Headcount-Weighted, Below-Median Income, General Employees' mortality tables with fully generational projection using MP-2020 for non-disabled lives.

The total OPEB liability in the December 31, 2020 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 6.50% 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-2020 for non-disabled lives.

Discount rate. The discount rate used to measure the total OPEB liability was 4.25% at December 31, 2021 and 2020. 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 12/31/2019 | \$ 18,627,085 | \$ 16,228,403 | \$ 2,398,682 |
| Changes for the year: | | | |
| Service cost | 203,526 | | 203,526 |
| Interest | 773,879 | | 773,879 |
| Contributions - employer | | 544,058 | (544,058) |
| Net investment income | | 2,163,598 | (2,163,598) |
| Benefit payments | (1,243,377) | (1,243,377) | - |
| Net changes | (265,972) | 1,464,279 | (1,730,251) |
| Balances at 12/31/2020 | 18,361,113 | 17,692,682 | 668,431 |
| Changes for the year: | | | |
| Service cost | 227,531 | | 227,531 |
| Interest | 757,674 | | 757,674 |
| Differences between expected and actual experience | 161,151 | | 161,151 |
| Changes of assumptions | 66,859 | | 66,859 |
| Contributions - employer | | 668,451 | (668,451) |
| Net investment income | | 2,086,041 | (2,086,041) |
| Benefit payments | (1,522,027) | (1,522,027) | - |
| Net changes | (308,812) | 1,232,465 | (1,541,277) |
| Balances at 12/31/2021 | \$ 18,052,301 | \$ 18,925,147 | \$ (872,846) |

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 (asset) | \$ 1,011,939 | \$ (872,846) | \$ (2,482,602) |

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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 percent) or 1-percentage-point higher (7 percent) than the current discount rate:

Healthcare Trend Rate Sensitivity

| | 1% Decrease | Healthcare Cost Trend Rates | 1% Increase |
|----------------------------|----------------|--------------------------------|--------------|
| Net OPEB liability (asset) | \$ (2,469,408) | \$ (872,846) | \$ 1,004,535 |

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

For the year ended December 31, 2021 and 2020, the Board recognized OPEB (income) expense of (\$2,693,063) and (\$2,436,244), respectively. At December 31, 2021, 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 | \$ 135,574 | \$ 1,680,884 |
| Changes of assumptions | 56,249 | 2,936,789 |
| Net difference between projected and actual earnings on OPEB plan investments | | 2,596,873 |
| Total | <u>\$ 191,823</u> | <u>\$ 7,214,546</u> |

At December 31, 2020, 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 | | \$ 2,447,499 |
| Changes of assumptions | | 4,271,694 |
| Net difference between projected and actual earnings on OPEB plan investments | | 2,123,747 |
| Total | <u>\$ -</u> | <u>\$ 8,842,940</u> |

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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 | | |
| 2022 | | \$ 2,944,439 |
| 2023 | | 2,939,814 |
| 2024 | | 951,265 |
| 2025 | | 234,256 |
| 2026 | \$ 36,192 | |
| Thereafter | 10,859 | |

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.

7. Health Insurance Claims 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, 2021 and 2020 of \$549,600 and \$456,000, respectively was provided by the claim's administrator, net of refunds due and is included in the Board's contingent insurance liability on the balance sheet.

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

| Self-Insured Health Insurance: | Year ended 12/31/21 | Year ended 12/31/20 | Year ended 12/31/19 |
|---------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Claims liability, beginning of year | \$ 456,600 | \$ 425,200 | \$ 416,800 |
| Incurrd claims and expenses | 6,770,040 | 5,477,342 | 5,276,384 |
| Claims payments | (6,677,040) | (5,445,942) | (5,112,496) |
| Claims settlements, excess policy | | | (155,488) |
| Claims liability, end of year | <u>\$ 549,600</u> | <u>\$ 456,600</u> | <u>\$ 425,200</u> |

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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.

The following is a schedule of bonds payable:

| | 2021 (In thousands) | 2020 (In thousands) |
|---|------------------------|------------------------|
| Series 2001 \$10,000,000 Water and Sewer Revenue Bond, issued December 28, 2001, interest at 4.62% due monthly through December 1, 2021 | | \$ 1,000 |
| Series 2010 \$55,000,000 Water and Sewer Revenue Refunding Bond, issued July 26, 2010, at 2.71%, due annually through January 1, 2022 | \$ 2,232 | 7,873 |
| 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 | 11,875 | 15,695 |
| SRF 2004 \$10,310,000 Subordinated Revenue Bond, issued November 1, 2004, at 3.05%, due annually through August 15, 2024 | 1,980 | 2,600 |
| SRF 2012-CWSRF-DL \$20,000,000 Subordinated Revenue Bond issued August 15, 2012, at 2.90%, due annually through February 15, 2032 | 12,410 | 13,355 |
| SRF 2014-CWSRF-DL \$20,010,000 Subordinated Revenue Bond issued August 15, 2014, at 2.45%, due annually through August 15, 2034 | 14,090 | 15,000 |
| 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 | 15,750 | 16,625 |
| SRF 2018-CWSRF \$31,510,000 Subordinated Revenue Bond issued November 1, 2018, at 2.20%, due annually through August 15, 2038 | 27,620 | 28,945 |
| SRF 2018-DWSRF \$7,510,000 Subordinated Revenue Bond issued November 1, 2018, at 2.20%, due annually through August 15, 2038 | 6,580 | 6,895 |
| SRF 2019-CWSRF \$10,010,000 Subordinated Revenue Bond issued November 1, 2019, at 2.20%, due annually through August 15, 2039 | 9,190 | 9,605 |
| SRF 2019-DWSRF \$20,010,000 Subordinated Revenue Bond issued August 1, 2019, at 2.20%, due annually through February 15, 2039 | 18,380 | 19,205 |
| SRF 2020-CWSRF \$32,260,000 Subordinated Revenue Bond issued February 15, 2020, at 2.20%, due annually through February 15, 2040 | 30,960 | 32,260 |
| SRF 2021-CWSRF \$36,000,000 Subordinated Revenue Bond issued March 1, 2021, at 2.20%, due annually through February 15, 2041 | 36,000 | |
| SRF 2021-DWSRF \$32,260,000 Subordinated Revenue Bond issued March 1, 2021, at 2.20%, due annually through February 15, 2041 | 12,865 | |
| Subtotal | 302,307 | 271,433 |
| Plus: bond premium | 5,466 | 6,006 |
| Total bonds payable | <u>\$ 307,773</u> | <u>\$ 277,439</u> |

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

The following is a schedule of maturities of bonds payable:

| Years Ending December 31 | Principal (In thousands) | Interest (In thousands) | Total (In thousands) |
|--------------------------|-----------------------------|----------------------------|-------------------------|
| 2022 | \$ 16,742 | \$ 9,264 | \$ 26,006 |
| 2023 | 15,780 | 8,916 | 24,696 |
| 2024 | 12,375 | 8,544 | 20,919 |
| 2025 | 15,280 | 8,231 | 23,511 |
| 2026 | 15,845 | 7,754 | 23,599 |
| 2027 - 2031 | 93,015 | 29,917 | 122,932 |
| 2032 - 2036 | 101,260 | 14,127 | 115,387 |
| 2037 - 2041 | 32,010 | 1,620 | 33,630 |
| Subtotals | 302,307 | 88,373 | 390,680 |
| Plus: bond premium | 5,466 | (5,466) | - |
| Total bonds payable | <u>\$ 307,773</u> | <u>\$ 82,907</u> | <u>\$ 390,680</u> |

Subordinated Water and Sewer Revenue Bond Series 2021-CWSRF-DL

On March 1, 2021, the Board issued a \$36,000,000 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 2021-DWSRF-DL

On March 1, 2021, the Board issued a \$12,865,000 Subordinated Water and Sewer Revenue Bond at 2.20%. The funds will be used for various water infrastructure improvements.

9. Changes in noncurrent liabilities

Activity of noncurrent liabilities for the year ended December 31, 2021 and 2020 was as follows (in thousands):

| | 1/1/2021 | Additions | Reductions | 12/31/2021 | Due Within One Year |
|------------------------|-------------------|------------------|------------------|-------------------|------------------------|
| Bonds payable: | | | | | |
| Revenue bonds | \$ 126,943 | | \$ 10,461 | \$ 116,482 | \$ 7,057 |
| SRF bonds | 144,490 | \$ 48,865 | 7,530 | 185,825 | 9,685 |
| Plus: Bond premium | 6,006 | | 540 | 5,466 | 540 |
| Total bonds payable | 277,439 | 48,865 | 18,531 | 307,773 | 17,282 |
| Compensated absences | 5,673 | 14 | | 5,687 | 3,359 |
| Net pension liability | 33,350 | 5,280 | | 38,630 | |
| OPEB | 669 | | 1,542 | (873) | |
| Noncurrent liabilities | <u>\$ 317,131</u> | <u>\$ 54,159</u> | <u>\$ 20,073</u> | <u>\$ 351,217</u> | <u>\$ 20,641</u> |

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

| | 1/1/2020 | Additions | Reductions | 12/31/2020 | Due Within One Year |
|------------------------|-------------------|------------------|------------------|-------------------|------------------------|
| Bonds payable: | | | | | |
| Revenue bonds | \$ 136,127 | | \$ 9,184 | \$ 126,943 | \$ 10,460 |
| SRF bonds | 119,415 | \$ 32,260 | 7,185 | 144,490 | 7,530 |
| Plus: Bond premium | 6,539 | | 533 | 6,006 | 533 |
| Total bonds payable | 262,081 | 32,260 | 16,902 | 277,439 | 18,523 |
| Compensated absences | 5,348 | 325 | | 5,673 | 3,359 |
| Net pension liability | 29,294 | 4,056 | | 33,350 | |
| OPEB | 2,399 | | 1,730 | 669 | |
| Noncurrent liabilities | <u>\$ 299,122</u> | <u>\$ 36,641</u> | <u>\$ 18,632</u> | <u>\$ 317,131</u> | <u>\$ 21,882</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.

11. Operating Leases - Lessor

The Board leases water tower space to third parties under cancelable operating leases. Total rentals received during 2021 and 2020 were equal to \$399,985 and \$461,735, respectively. The cost of the leased assets was \$1,242,393 as of December 31, 2021 and 2020. The accumulated depreciation was \$519,935 and \$494,987, while the carrying value was \$722,458 and \$747,506 at December 31, 2021 and 2020, respectively.

12. Construction Commitments

The Board had contractual commitments of approximately \$42,008,893 for water and sewer plant construction at December 31, 2021. These commitments are provided by the following bond restricted accounts: 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, 2021, was 87,162, 83,856, and 90,348, respectively. The number of customers at December 31, 2020 was 87,448, 84,619, and 91,156, respectively.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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. For all other claims, the Board self-insures the first \$75,000 of each claim and carries insurance to cover any losses in excess of \$75,000. 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 has two cases outstanding that could result in claims of up to \$2 million. One claim relates to an easement dispute and the other relates to work performed by a contractor. Based on an actuarial reserve and funding study performed by a third-party actuary, the Board recorded a liability for \$2,260,091 and \$2,256,523 for net cash reserves and possible unknown claims as of December 31, 2021 and 2020, respectively. All amounts are considered due within one year.

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

| | Year Ended 12/31/2021 | Year Ended 12/31/2020 | Year Ended 12/31/2019 |
|-------------------------------------|--------------------------|--------------------------|--------------------------|
| Claims liability, beginning of year | \$ 2,256,523 | \$ 2,164,670 | \$ 2,137,240 |
| Estimated claims | (200,000) | 271,000 | 474,738 |
| Incurred claims (including IBNRs) | 379,143 | 144,061 | 96,271 |
| Claims and expenses paid | (175,575) | (323,208) | (543,579) |
| Claims liability, end of year | <u>\$ 2,260,091</u> | <u>\$ 2,256,523</u> | <u>\$ 2,164,670</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 \$2,260,091 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.

During 2021, the Board entered a settlement agreement with the Alabama Department of Environmental Management (ADEM) regarding permit violations. The Board has committed to performing remedial actions that must be completed by December 31, 2026. The estimated cost of the project is approximately \$100,000,000 which will consist of system improvements.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 2014 Series bonds, and the 2016 Series bonds. Accrued arbitrage liability as of December 31, 2021 and 2020 was \$-0-.

17. Subsequent Events

The Board has evaluated subsequent events through April 28, 2022 which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2021 have been incorporated into these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
FOR THE MEASUREMENT DATES ENDING SEPTEMBER 30,

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|
| TOTAL PENSION LIABILITY: | | | | | | | |
| Service cost | \$ 1,665,153 | \$ 1,601,369 | \$ 1,555,364 | \$ 1,549,963 | \$ 1,583,878 | \$ 1,556,455 | \$ 1,582,611 |
| Interest | 7,967,464 | 7,692,237 | 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 experience | 2,778,509 | 563,442 | 917,733 | (987,496) | 272,077 | 24,192 | |
| Benefit payments, including refunds of employee contributions | (6,779,145) | (5,745,311) | (5,896,115) | (5,161,202) | (4,697,197) | (4,714,834) | (3,811,964) |
| Transfers among employers | 64,570 | (20,454) | 9,810 | 275,897 | 349,878 | | |
| Net change in total pension liability | 5,696,551 | 4,091,283 | 4,503,433 | 2,870,503 | 5,945,406 | 3,549,463 | 4,157,788 |
| Total pension liability - beginning | 106,863,126 | 102,771,843 | 98,268,410 | 95,397,907 | 89,452,501 | 85,903,038 | 81,745,250 |
| Total pension liability - end (a) | <u>\$ 112,559,677</u> | <u>\$ 106,863,126</u> | <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 | \$ 2,157,912 | \$ 2,171,106 | \$ 2,057,351 | \$ 1,963,630 | \$ 2,020,517 | \$ 1,929,674 | \$ 1,930,322 |
| Contributions - member | 1,482,011 | 1,602,284 | 1,481,771 | 1,443,549 | 1,465,536 | 1,435,421 | 1,450,779 |
| Net investment income | 4,139,937 | 1,877,204 | 6,376,383 | 8,037,592 | 5,910,185 | 693,537 | 6,362,684 |
| Benefit payments, including refunds of employee contributions | (6,779,145) | (5,745,311) | (5,896,115) | (5,161,202) | (4,697,197) | (4,714,834) | (3,811,964) |
| Transfers among employees | 64,570 | (20,454) | 9,810 | 275,897 | 349,878 | (26,853) | (57,694) |
| Net change in plan fiduciary net position | 1,065,285 | (115,171) | 4,029,200 | 6,559,466 | 5,048,919 | (683,055) | 5,874,127 |
| Plan net position - beginning | 73,986,328 | 74,101,499 | 70,072,299 | 63,512,833 | 58,463,914 | 59,146,969 | 53,272,842 |
| Plan net position - end (b) | <u>\$ 75,051,613</u> | <u>\$ 73,986,328</u> | <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) | \$ 37,508,064 | \$ 32,876,798 | \$ 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 | 66.68% | 69.23% | 72.10% | 71.31% | 66.58% | 65.36% | 68.85% |
| Covered payroll | \$ 20,789,354 | \$ 22,187,526 | \$ 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 | 180.42% | 148.18% | 131.63% | 141.54% | 154.69% | 146.74% | 130.13% |

This schedule is prepared to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Board will present information for those years for which information is available.

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDING DECEMBER 31,

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Actuarially determined contribution * | \$ 2,122,316 | \$ 2,221,781 | \$ 2,210,267 | \$ 2,152,676 | \$ 2,057,430 | \$ 2,522,052 | \$ 2,476,164 |
| Contributions in relation to the actuarially determined contribution | 2,122,316 | 2,221,781 | 2,210,267 | 2,152,676 | 2,057,430 | 2,522,052 | 2,476,164 |
| Contribution excess | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll ** | 19,731,198 | 20,789,354 | \$ 22,187,526 | \$ 21,378,330 | \$ 20,457,428 | \$ 20,612,003 | \$ 20,612,003 |
| Contributions as a percentage of covered-employee payroll | 10.76% | 10.69% | 9.96% | 10.07% | 10.06% | 12.24% | 12.01% |

* 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 2021 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 2021 were based on the September 30, 2018 actuarial valuation.

Methods and assumptions used to determine the contribution rates

| | |
|-------------------------------|--|
| Actuarial cost method | Entry age |
| Amortization method | Level percent closed |
| Remaining amortization method | 26.4 years |
| Asset valuation method | Five year smoothed market |
| Inflation | 2.75% |
| Salary increases | 3.25 - 5.00%, including inflation |
| Investment rate of return | 7.70%, net of pension plan investment expense, including inflation |

This schedule is prepared to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Board will present information for those years for which information is available.

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,

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| TOTAL OPEB LIABILITY: | | | | | |
| Service cost | \$ 227,531 | \$ 203,526 | \$ 287,460 | \$ 303,067 | \$ 283,579 |
| Interest | 757,674 | 773,879 | 1,261,846 | 1,095,006 | 1,086,452 |
| Differences between expected and actual experience | 161,151 | | (3,959,194) | (21,535) | (26,787) |
| Changes of assumptions | 66,859 | | (6,941,502) | | |
| Benefit payments | (1,522,027) | (1,243,377) | (1,394,983) | (1,245,337) | (1,424,834) |
| Net change in total OPEB liability | (308,812) | (265,972) | (10,746,373) | 131,201 | (81,590) |
| Total OPEB liability - beginning | 18,361,113 | 18,627,085 | 29,373,458 | 29,242,257 | 29,323,847 |
| Total OPEB liability - ending (a) | <u>\$ 18,052,301</u> | <u>\$ 18,361,113</u> | <u>\$ 18,627,085</u> | <u>\$ 29,373,458</u> | <u>\$ 29,242,257</u> |
| PLAN FIDUCIARY NET POSITION: | | | | | |
| Contributions - employer | \$ 668,451 | \$ 544,058 | \$ 608,327 | \$ 1,859,437 | \$ 1,988,590 |
| Net investment income | 2,086,041 | 2,163,598 | 2,425,465 | (417,342) | 1,851,608 |
| Benefit payment | (1,522,027) | (1,243,377) | (1,394,983) | (1,245,337) | (1,424,836) |
| Administrative expense | | | | (90,467) | (54,346) |
| Net change in plan fiduciary net position | 1,232,465 | 1,464,279 | 1,638,809 | 106,291 | 2,361,016 |
| Plan fiduciary net position - beginning | 17,692,682 | 16,228,403 | 14,589,594 | 14,483,303 | 12,122,287 |
| Plan fiduciary net position - ending (b) | <u>\$ 18,925,147</u> | <u>\$ 17,692,682</u> | <u>\$ 16,228,403</u> | <u>\$ 14,589,594</u> | <u>\$ 14,483,303</u> |
| Board's net OPEB liability - ending (a)-(b) | <u>\$ (872,846)</u> | <u>\$ 668,431</u> | <u>\$ 2,398,682</u> | <u>\$ 14,783,864</u> | <u>\$ 14,758,954</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 104.84% | 96.36% | 87.12% | 49.67% | 49.53% |
| Covered - employee payroll | \$ 20,260,918 | \$ 20,058,912 | \$ 19,380,591 | \$ 22,130,972 | \$ 21,027,723 |
| Board's net OPEB liability as a percentage of covered employee payroll | -4.31% | 3.33% | 12.38% | 66.80% | 70.19% |

A GASB 75 valuation was first performed as of the beginning of the 2018 fiscal year.

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

SCHEDULE OF BOARD CONTRIBUTIONS
YEAR ENDING DECEMBER 31,

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|---------------------|-------------------|---------------|---------------|---------------|
| Actuarially determined contribution | \$ 306,558 | \$ 775,323 | \$ 320,000 | \$ 1,859,437 | \$ 1,988,590 |
| Contributions in relation to the actuarially determined contribution | 668,451 | 544,058 | 320,000 | 1,859,437 | 1,988,590 |
| Contribution deficiency (excess) | <u>\$ (361,893)</u> | <u>\$ 231,265</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered - employee payroll | \$ 20,260,918 | \$ 20,058,912 | \$ 19,380,591 | \$ 22,130,972 | \$ 21,027,723 |
| Contributions as a percentage of covered-employee payroll | 3.30% | 2.71% | 1.65% | 8.40% | 9.46% |

Notes to Schedule:

Valuation date: January 1, 2021
Measurement date: December 31, 2021

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: 3.0%, ultimate 2.25% |
| 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-2020 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 6.00% to reflect actual first year costs, 5.75% in the second year and gradually decreasing to an ultimate trend rate of 3.75% 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. |

A GASB 75 valuation was first performed as of the beginning of the 2018 fiscal year.

SUPPLEMENTARY INFORMATION

BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE

SCHEDULE OF BOND RESTRICTED ACCOUNTS
DECEMBER 31, 2021
(with comparative totals as of December 31, 2020)

| | Total | Capital Improvement Fund Accounts | Sinking Fund Bond Service Accounts | State Revolving Fund Bond Service Accounts | 2020 Total |
|------------------------------------|---------------------|--|---|--|---------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$29,624,869 | \$14,954,717 | \$ 6,367,896 | \$ 8,302,256 | \$29,118,358 |
| Interest receivable | 57,998 | 45,283 | 12,699 | 16 | 47,974 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total assets | <u>\$29,682,867</u> | <u>\$15,000,000</u> | <u>\$ 6,380,595</u> | <u>\$ 8,302,272</u> | <u>\$29,166,332</u> |
| LIABILITIES | | | | | |
| Interest payable | 4,112,360 | - | 2,527,207 | 1,585,153 | 3,892,521 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total liabilities | 4,112,360 | - | 2,527,207 | 1,585,153 | 3,892,521 |
| NET POSITION | | | | | |
| Restricted | <u>25,570,507</u> | <u>15,000,000</u> | <u>3,853,388</u> | <u>6,717,119</u> | <u>25,273,811</u> |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total liabilities and net position | <u>\$29,682,867</u> | <u>\$15,000,000</u> | <u>\$ 6,380,595</u> | <u>\$ 8,302,272</u> | <u>\$29,166,332</u> |

BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE

SCHEDULES OF REVENUE FUND ACCOUNTS TRANSACTIONS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

| | 2021 | 2020 |
|---|---------------------|---------------------|
| OPERATING REVENUES | | |
| Water revenue | | |
| Potable water system | \$ 40,025,427 | \$ 40,902,868 |
| Water installation charges | 234,992 | 413,788 |
| Capacity fees | 115,150 | 178,890 |
| Miscellaneous charges and services | 2,777,858 | 1,848,970 |
| Industrial water accounts | <u>1,480,511</u> | <u>1,230,581</u> |
| Total water revenue | <u>44,633,938</u> | <u>44,575,097</u> |
| Sewer revenue | | |
| Sewer services | 67,576,205 | 67,323,009 |
| Sewer connection charges | 304,820 | 348,712 |
| Capacity fees | 329,890 | 492,340 |
| Miscellaneous charges and services | 1,508,329 | 1,078,049 |
| Pretreatment fees | <u>608,893</u> | <u>792,069</u> |
| Total sewer revenue | <u>70,328,137</u> | <u>70,034,179</u> |
| Total operating revenues | 114,962,075 | 114,609,276 |
| OPERATING EXPENSES | | |
| Water supply | 2,283,823 | 1,906,486 |
| Water treatment | 6,171,376 | 6,046,753 |
| Wastewater treatment | 7,282,974 | 6,728,642 |
| Transmission and collection | 20,235,260 | 21,639,446 |
| Support services | 4,431,794 | 4,744,760 |
| Supervision and general expense | <u>19,373,109</u> | <u>17,470,121</u> |
| Total operating expenses | <u>59,778,336</u> | <u>58,536,208</u> |
| OPERATING INCOME (revenue fund accounts) | 55,183,739 | 56,073,068 |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Interest income: | | |
| Revenue and operating account investments | (51,463) | 466,374 |
| FEMA reimbursement | 213,844 | - |
| Miscellaneous rentals and sale of property | 530,825 | 915,804 |
| Miscellaneous expense | <u>(3,226)</u> | <u>(1,010)</u> |
| NET INCOME (revenue and operating accounts) | <u>55,873,719</u> | <u>57,454,236</u> |
| DEDUCTIONS FROM (ADDITIONS TO) NET INCOME | | |
| Payments to (from) debt service funds: | | |
| Sinking Fund Bond Service Account | 8,990,038 | 15,237,188 |
| State Revolving Fund Bond Service Account | 15,109,049 | 9,753,163 |
| Transfers to restricted accounts | <u>29,053,214</u> | <u>23,158,141</u> |
| Total deductions from net income | <u>53,152,301</u> | <u>48,148,492</u> |
| CHANGE IN NET POSITION | | |
| REVENUE FUND ACCOUNTS | <u>\$ 2,721,418</u> | <u>\$ 9,305,744</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, 2021 AND 2020

| | 2021 | | | 2020 | | |
|---|---------------------|---------------------|--|---------------------|---------------------|--|
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| OPERATING REVENUES | | | | | | |
| Water revenue | \$ 43,921,873 | \$ 44,633,938 | \$ 712,065 | \$ 46,033,458 | \$ 44,575,097 | \$ (1,458,361) |
| Sewer revenue | 69,884,458 | 70,328,137 | 443,679 | 73,180,122 | 70,034,179 | (3,145,943) |
| Total operating revenues | <u>113,806,331</u> | <u>114,962,075</u> | <u>1,155,744</u> | <u>119,213,580</u> | <u>114,609,276</u> | <u>(4,604,304)</u> |
| OPERATING EXPENSES | <u>(64,267,100)</u> | <u>(59,778,336)</u> | <u>4,488,764</u> | <u>(64,331,000)</u> | <u>(58,536,208)</u> | <u>5,794,792</u> |
| OPERATING INCOME | 49,539,231 | 55,183,739 | 5,644,508 | 54,882,580 | 56,073,068 | 1,190,488 |
| NON OPERATING REVENUES/(EXPENSES) | | | | | | |
| Investment income | 265,000 | (51,463) | (316,463) | 650,000 | 466,374 | (183,626) |
| FEMA reimbursement | - | 213,844 | 213,844 | - | - | - |
| Other income | 540,000 | 530,825 | (9,175) | 510,000 | 915,804 | 405,804 |
| Miscellaneous expenses | <u>-</u> | <u>(3,226)</u> | <u>(3,226)</u> | <u>-</u> | <u>(1,010)</u> | <u>(1,010)</u> |
| Net income | <u>50,344,231</u> | <u>55,873,719</u> | <u>5,529,488</u> | <u>56,042,580</u> | <u>57,454,236</u> | <u>1,411,656</u> |
| OTHER REVENUE DEDUCTIONS | | | | | | |
| Sinking Fund Bond Service Account | (15,759,539) | (8,990,038) | 6,769,501 | (14,730,987) | (15,237,188) | (506,201) |
| State Revolving Fund Bond Service Account | (9,748,412) | (15,109,049) | (5,360,637) | (11,983,281) | (9,753,163) | 2,230,118 |
| Transfers to restricted accounts | <u>(24,836,280)</u> | <u>(29,053,214)</u> | <u>(4,216,934)</u> | <u>(29,328,312)</u> | <u>(23,158,141)</u> | <u>6,170,171</u> |
| Total other revenue deductions | <u>(50,344,231)</u> | <u>(53,152,301)</u> | <u>(2,808,070)</u> | <u>(56,042,580)</u> | <u>(48,148,492)</u> | <u>7,894,088</u> |
| CHANGE IN NET POSITION | | | | | | |
| REVENUE FUND ACCOUNTS | <u>\$ -</u> | <u>\$ 2,721,418</u> | <u>\$ 2,721,418</u> | <u>\$ -</u> | <u>\$ 9,305,744</u> | <u>\$ 9,305,744</u> |

See Independent Auditor's Report on Supplementary Information

BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE

SCHEDULES OF OPERATING EXPENSES - REVENUE FUND ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

| | 2021 | 2020 |
|----------------------------------|---------------------|---------------------|
| WATER SUPPLY | | |
| Labor Cost | \$ 288,905 | \$ 308,721 |
| Payroll Taxes | 21,510 | 23,201 |
| Fringe Benefits | 114,898 | 103,512 |
| Other Post Employment Benefits | - | 6,965 |
| Administrative Expenses | 41,124 | 46,248 |
| Electricity and Natural Gas | 880,432 | 839,917 |
| Maintenance and Repairs | 128,947 | 97,672 |
| Misc Outside Services | 427,803 | 295,675 |
| Chemicals | 6,355 | 14,604 |
| Offices Supplies and Expenses | 1,986 | 1,144 |
| Operating Supplies and Materials | 135,734 | 78,398 |
| Vehicle and Equipment Expense | 236,129 | 90,429 |
| | <u>\$ 2,283,823</u> | <u>\$ 1,906,486</u> |
| WATER TREATMENT | | |
| Labor Cost | \$ 1,643,405 | \$ 1,619,514 |
| Payroll Taxes | 120,772 | 120,282 |
| Fringe Benefits | 565,852 | 487,867 |
| Other Post Employment Benefits | - | 33,434 |
| Administrative Expenses | 21,075 | 29,992 |
| Electricity and Natural Gas | 537,189 | 522,766 |
| Maintenance and Repairs | 40,249 | 16,814 |
| Misc Outside Services | 587,714 | 651,160 |
| Chemicals | 2,230,281 | 2,089,593 |
| Offices Supplies and Expenses | 6,068 | 5,454 |
| Operating Supplies and Materials | 190,861 | 176,392 |
| Vehicle and Equipment Expense | 227,910 | 293,485 |
| | <u>\$ 6,171,376</u> | <u>\$ 6,046,753</u> |
| WASTEWATER TREATMENT | | |
| Labor Cost | \$ 2,132,919 | \$ 2,365,174 |
| Payroll Taxes | 168,495 | 176,337 |
| Fringe Benefits | 724,238 | 646,517 |
| Other Post Employment Benefits | - | 52,937 |
| Administrative Expenses | 25,761 | 24,896 |
| Electricity and Natural Gas | 1,510,924 | 1,389,792 |
| Maintenance and Repairs | 81,616 | 78,191 |
| Misc Outside Services | 1,654,643 | 1,205,625 |
| Chemicals | 347,087 | 249,970 |
| Offices Supplies and Expenses | 14,052 | 9,467 |
| Operating Supplies and Materials | 259,813 | 211,638 |
| Vehicle and Equipment Expense | 363,426 | 318,098 |
| | <u>\$ 7,282,974</u> | <u>\$ 6,728,642</u> |

| | 2021 | 2020 |
|--|----------------------|----------------------|
| TRANSMISSION AND COLLECTION | | |
| Labor Cost | \$ 6,333,836 | \$ 7,267,916 |
| Payroll Taxes | 484,252 | 553,058 |
| Fringe Benefits | 2,507,980 | 2,547,574 |
| Other Post Employment Benefits | - | 196,424 |
| Administrative Expenses | 57,459 | 104,429 |
| Electricity and Natural Gas | 1,610,809 | 1,382,446 |
| Maintenance and Repairs | 20,659 | 21,944 |
| Misc Outside Services | 4,968,074 | 5,077,369 |
| Chemicals | 375,022 | 363,995 |
| Offices Supplies and Expenses | 8,577 | 10,594 |
| Operating Supplies and Materials | 2,392,220 | 2,854,626 |
| Vehicle and Equipment Expense | 1,476,372 | 1,259,071 |
| | <u>\$ 20,235,260</u> | <u>\$ 21,639,446</u> |
| SUPPORT SERVICES | | |
| Labor Cost | \$ 2,323,140 | \$ 2,372,155 |
| Payroll Taxes | 170,820 | 176,349 |
| Fringe Benefits | 927,294 | 888,144 |
| Other Post Employment Benefits | - | 58,509 |
| Administrative Expenses | 28,631 | 39,845 |
| Electricity and Natural Gas | 529 | 501 |
| Maintenance and Repairs | 98,378 | 61,688 |
| Misc Outside Services | 912,828 | 908,882 |
| Chemicals | - | - |
| Offices Supplies and Expenses | 3,958 | 3,763 |
| Operating Supplies and Materials | (212,039) | 86,221 |
| Vehicle and Equipment Expense | 178,255 | 148,703 |
| | <u>\$ 4,431,794</u> | <u>\$ 4,744,760</u> |
| SUPERVISION, ENGINEERING, ACCOUNTING, COLLECTIONS AND GENERAL EXPENSE | | |
| Labor Cost | \$ 7,475,770 | \$ 7,835,076 |
| Payroll Taxes | 555,687 | 576,377 |
| Fringe Benefits | 5,457,899 | 3,783,773 |
| Other Post Employment Benefits | (2,690,185) | (2,758,984) |
| Administrative Expenses | 1,843,474 | 1,999,170 |
| Electricity and Natural Gas | 263,757 | 249,303 |
| Maintenance and Repairs | 2,130,703 | 1,823,322 |
| Misc Outside Services | 3,522,329 | 3,357,490 |
| Chemicals | - | - |
| Offices Supplies and Expenses | 56,585 | 66,505 |
| Operating Supplies and Materials | 279,245 | 115,009 |
| Vehicle and Equipment Expense | 477,845 | 423,080 |
| | <u>\$ 19,373,109</u> | <u>\$ 17,470,121</u> |

BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE

SCHEDULES OF CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

| | 2021 Totals | Unrestricted | |
|--|----------------|---|--|
| | | Operating Cash Reserve Fund Accounts | Self-Insurance Cash Reserve Fund Accounts |
| CHANGES RESULTING FROM OPERATIONS - INCREASE (DECREASE) | | | |
| Operating income - revenue fund | \$ 55,183,735 | \$ 55,375,644 | \$ (191,909) |
| Operating expenses - capital improvement fund account | (2,056,837) | - | - |
| Depreciation | (24,568,410) | - | - |
| FEMA reimbursement | 213,844 | 213,844 | - |
| Investment earnings | (51,027) | (51,463) | - |
| Miscellaneous rentals and sale of property | 372,159 | 530,825 | - |
| Miscellaneous expense | (3,226) | (3,226) | - |
| Bond interest expense | (9,411,102) | - | - |
| Bond issuance costs | (20,000) | - | - |
| INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS | 19,659,136 | 56,065,624 | (191,909) |
| CAPITAL GRANTS AND CONTRIBUTIONS | | | |
| Lines accepted by the Board without reimbursement | 1,518,979 | - | - |
| Contributions for extensions/repair and replacement | 323,032 | - | - |
| Capital grants | - | - | - |
| CHANGES FROM INTER-ACCOUNT TRANSFERS | | | |
| Cash transfers from revenue fund (net) | - | (55,535,084) | 829,000 |
| Additions to utility plant: | | | |
| Equipment, vehicles and building improvements | - | - | - |
| Construction in progress | - | - | - |
| Proceeds from bond sales | - | - | - |
| Debt retired | - | - | - |
| CHANGE IN NET POSITION | 21,501,147 | 530,540 | 637,091 |
| TOTAL NET POSITION - BEGINNING OF YEAR | 429,555,340 | 5,051,562 | 3,269,124 |
| TOTAL NET POSITION - END OF YEAR | \$ 451,056,487 | \$ 5,582,102 | \$ 3,906,215 |

| Unrestricted | | | Restricted | | | 2020 Totals |
|--|--|-------------------------------|--|--------------------------|--|-----------------------|
| 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 | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 56,072,529 |
| - | - | - | (2,056,837) | - | - | (720,763) |
| - | - | (24,568,410) | - | - | - | (23,851,718) |
| - | - | - | - | - | - | - |
| - | - | - | - | 100 | 336 | 504,754 |
| - | - | (1,277,691) | 1,119,025 | - | - | 669,829 |
| - | - | - | - | - | - | (1,010) |
| - | - | (107,433) | - | - | (9,303,669) | (8,639,583) |
| - | - | - | - | (20,000) | - | (10,000) |
| - | - | (25,953,534) | (937,812) | (19,900) | (9,303,333) | 24,024,038 |
| - | - | 1,518,979 | - | - | - | 1,459,666 |
| - | - | - | 323,032 | - | - | 199,940 |
| - | - | - | - | - | - | 3,665,048 |
| 253,782 | 1,300,000 | 3,372,431 | 55,152,569 | (29,471,785) | 24,099,087 | - |
| - | - | 3,837,848 | (3,837,848) | - | - | - |
| - | - | 45,236,926 | (45,236,926) | - | - | - |
| - | - | (48,878,600) | - | 48,878,600 | - | - |
| - | - | 14,499,056 | - | - | (14,499,056) | - |
| 253,782 | 1,300,000 | (6,366,894) | 5,463,015 | 19,386,915 | 296,698 | 29,348,692 |
| 3,364,437 | 7,542,000 | 358,416,516 | 12,301,395 | 23,605,910 | 16,004,396 | 400,206,648 |
| <u>\$ 3,618,219</u> | <u>\$ 8,842,000</u> | <u>\$ 352,049,622</u> | <u>\$ 17,764,410</u> | <u>\$ 42,992,825</u> | <u>\$ 16,301,094</u> | <u>\$ 429,555,340</u> |

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> | 64 |
| 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> | 66 |
| Debt Capacity <i>These schedules present information intended to assist users in understanding and assessing the Board's debt burden and its ability to issue additional debt.</i> | 71 |
| Demographic and Economic Information <i>These schedules offer demographic and economic information intended (1) to assist users in understanding the socioeconomic environment within which the Board operates and (2) to provide information that facilitates comparisons of financial statement information over time and among governments.</i> | 75 |
| Operating Information <i>These schedules contain information intended to provide contextual information about the Board's operations and resources to assist readers in using financial statement information to understand and assess the Board's economic condition.</i> | 79 |

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive 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**

| | 2012 | 2013 | 2014 (restated) | 2015 | 2016 (restated) | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Operating revenues | | | | | | | | | | |
| Water sales | \$ 37,558,244 | \$ 37,350,332 | \$ 38,645,369 | \$ 39,566,223 | \$ 41,764,407 | \$ 39,947,830 | \$ 43,189,371 | \$ 42,539,290 | \$ 44,575,097 | \$ 44,633,938 |
| Sewer charges | 52,825,864 | 53,940,407 | 56,975,397 | 58,917,122 | 61,686,576 | 60,670,012 | 64,699,127 | 66,698,585 | 70,034,179 | 70,328,137 |
| Total operating revenues | 90,384,108 | 91,290,739 | 95,620,766 | 98,483,345 | 103,450,983 | 100,617,842 | 107,888,498 | 109,237,875 | 114,609,276 | 114,962,075 |
| Operating expenses | | | | | | | | | | |
| Water supply | 1,614,535 | 1,456,555 | 1,426,220 | 1,570,247 | 1,545,130 | 1,659,151 | 1,874,955 | 1,878,277 | 1,906,486 | 2,283,823 |
| Water, sewer, treatment, and administration | 52,227,106 | 52,773,316 | 54,624,738 | 53,786,657 | 55,624,133 | 55,575,856 | 59,681,542 | 57,864,742 | 56,629,722 | 57,494,513 |
| Capital improvement fund accounts | 2,141,229 | 587,987 | 566,230 | 1,369,583 | 2,227,136 | 2,314,627 | 1,465,627 | 929,740 | 720,763 | 2,056,837 |
| Depreciation | 19,415,011 | 19,718,326 | 19,988,036 | 20,495,573 | 20,846,352 | 21,684,555 | 22,446,265 | 23,156,895 | 23,851,718 | 24,568,410 |
| Total operating expenses | 75,397,881 | 74,536,184 | 76,605,224 | 77,222,060 | 80,242,751 | 81,234,189 | 85,468,389 | 83,829,654 | 83,108,689 | 86,403,583 |
| Net revenue from operations | 14,986,227 | 16,754,555 | 19,015,542 | 21,261,285 | 23,208,232 | 19,383,653 | 22,420,109 | 25,408,221 | 31,500,587 | 28,558,492 |
| Non operating revenues (expenses) | | | | | | | | | | |
| FEMA reimbursement | 54,474 | 6,204 | 195,924 | 32,654 | - | - | - | - | - | 213,844 |
| Investment earnings | 207,788 | 89,744 | 496,608 | 319,843 | 331,392 | 540,985 | 1,006,525 | 1,429,807 | 504,755 | (51,027) |
| Miscellaneous rentals and sale of property | 613,685 | 694,545 | 4,785,339 | 916,922 | 632,649 | 981,699 | 1,017,713 | 913,214 | 1,014,502 | 1,646,619 |
| Miscellaneous expense and loss on disposal of assets | - | - | - | (15,511) | (11,617) | (281) | (96) | (1,173,661) | (346,223) | (1,277,690) |
| Bond interest expense | (9,486,792) | (8,579,573) | (8,087,920) | (7,266,160) | (6,257,210) | (5,456,955) | (7,481,890) | (7,958,328) | (8,639,583) | (9,411,102) |
| Bond issuance costs | - | (24,500) | (688,026) | - | (78,510) | - | (20,000) | (20,000) | (10,000) | (20,000) |
| Income (loss) before capital grants and contributions | 6,375,382 | 8,940,975 | 15,717,467 | 15,249,033 | 17,824,936 | 15,449,101 | 16,942,361 | 18,599,253 | 24,024,038 | 19,659,136 |
| Capital grants and contributions | | | | | | | | | | |
| Lines accepted by the Board without reimbursement | 1,820,758 | 813,555 | 971,388 | 1,492,169 | 710,929 | 1,494,115 | - | 105,939 | 1,459,666 | 1,518,979 |
| Contributions for extensions / repair and replacement | 62,842 | 77,506 | 466,161 | 262,097 | 371,440 | - | 1,839,914 | - | 199,940 | 323,032 |
| Capital grants | 101,531 | 304,186 | 12,639 | 100,916 | - | - | - | 100,000 | - | - |
| Total capital grants and contributions | 1,985,131 | 1,195,247 | 1,450,188 | 1,855,182 | 1,082,369 | 1,494,115 | 1,839,914 | 205,939 | 3,665,048 | 1,842,011 |
| Prior year adjustment | | | | | | | | | | |
| Debt issuance costs | - | - | - | - | (470,417) | - | - | - | - | - |
| OPEB | - | - | (26,042,086) | - | (14,590,382) | - | - | - | - | - |
| Pension | - | - | - | - | (753,184) | - | - | - | - | - |
| Change in net position | 8,360,513 | 10,136,222 | (8,874,431) | 17,104,215 | 3,093,322 | 16,943,216 | 18,782,275 | 18,805,192 | 29,348,692 | 21,501,147 |
| Total net position | | | | | | | | | | |
| Beginning | 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 | 429,555,340 |
| Total net position | | | | | | | | | | |
| Ending | <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> | <u>\$ 429,555,340</u> | <u>\$ 451,056,487</u> |

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

**NET POSITION BY COMPONENT
Last Ten Years**

| | <u>2012</u> | <u>2013</u> | <u>2014 (restated)</u> | <u>2015</u> | <u>2016 (restated)</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Net investment in capital assets | \$ 256,089,642 | \$ 282,770,315 | \$ 265,425,990 | \$ 284,998,850 | \$ 297,123,608 | \$ 352,047,706 | \$ 364,662,008 | \$ 382,855,114 | \$ 398,674,249 | \$ 412,389,904 |
| Restricted for debt service | 2,157,854 | 2,176,881 | 2,102,209 | 2,269,520 | 2,374,525 | 9,077,577 | 8,104,795 | 10,535,784 | 10,273,811 | 10,570,507 |
| Restricted for construction and other bond covenants | 48,730,752 | 35,268,851 | 68,993,710 | 63,652,826 | 70,403,814 | 15,000,000 | 15,000,000 | 15,000,000 | 15,000,000 | 15,000,000 |
| Unrestricted net position | <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> | <u>5,607,280</u> | <u>13,096,076</u> |
| Total net position | <u><u>\$ 324,216,637</u></u> | <u><u>\$ 334,352,859</u></u> | <u><u>\$ 325,478,428</u></u> | <u><u>\$ 342,582,643</u></u> | <u><u>\$ 345,675,965</u></u> | <u><u>\$ 362,619,181</u></u> | <u><u>\$ 381,401,456</u></u> | <u><u>\$ 400,206,648</u></u> | <u><u>\$ 429,555,340</u></u> | <u><u>\$ 451,056,487</u></u> |

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

**REVENUES BY TYPE
Last Ten Years**

| Year Ended December 31 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|----------------------|----------------------|-----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Operating revenues | | | | | | | | | | |
| Water revenue | | | | | | | | | | |
| Potable water system sales | \$ 32,491,498 | \$ 32,757,295 | \$ 34,208,940 | \$ 34,929,662 | \$ 36,915,832 | \$ 35,361,254 | \$ 37,828,334 | \$ 37,970,822 | \$ 40,902,868 | \$ 40,025,427 |
| Water connection (service line) fees | 331,080 | 224,897 | 311,792 | 312,755 | 333,177 | 293,635 | 327,916 | 291,908 | 413,788 | 234,992 |
| Water connection (capacity) fees | 208,742 | 204,440 | 165,865 | 198,070 | 194,590 | 205,310 | 217,600 | 159,637 | 178,890 | 115,150 |
| Miscellaneous water income | 2,697,020 | 2,807,156 | 2,833,570 | 2,652,869 | 2,602,105 | 2,597,719 | 3,029,187 | 2,625,824 | 1,848,970 | 2,777,858 |
| Water supply system sales (industrial) | 1,829,904 | 1,356,544 | 1,125,202 | 1,472,867 | 1,718,703 | 1,489,912 | 1,786,334 | 1,491,099 | 1,230,581 | 1,480,511 |
| Total water revenue | 37,558,244 | 37,350,332 | 38,645,369 | 39,566,223 | 41,764,407 | 39,947,830 | 43,189,371 | 42,539,290 | 44,575,097 | 44,633,938 |
| Sewer revenue | | | | | | | | | | |
| Sewer system charges | 50,090,610 | 51,272,411 | 54,281,829 | 56,240,161 | 59,015,216 | 57,924,969 | 61,810,368 | 63,884,147 | 67,323,009 | 67,576,205 |
| Sewer connection (service line) fees | 206,487 | 201,311 | 236,645 | 215,271 | 261,122 | 229,717 | 287,706 | 236,215 | 348,712 | 304,820 |
| Sewer connection (capacity) fees | 549,144 | 500,406 | 440,571 | 501,400 | 481,036 | 578,600 | 531,364 | 405,210 | 492,340 | 329,890 |
| Miscellaneous sewer income | 1,277,900 | 1,308,323 | 1,307,779 | 1,295,437 | 1,303,735 | 1,304,365 | 1,270,151 | 1,379,502 | 1,078,049 | 1,508,329 |
| Pre-treatment fees | 701,723 | 657,956 | 708,573 | 664,853 | 625,467 | 632,361 | 799,538 | 793,511 | 792,069 | 608,893 |
| Total sewer revenue | 52,825,864 | 53,940,407 | 56,975,397 | 58,917,122 | 61,686,576 | 60,670,012 | 64,699,127 | 66,698,585 | 70,034,179 | 70,328,137 |
| Total operating revenues | 90,384,108 | 91,290,739 | 95,620,766 | 98,483,345 | 103,450,983 | 100,617,842 | 107,888,498 | 109,237,875 | 114,609,276 | 114,962,075 |
| Non-operating revenues | | | | | | | | | | |
| Investment earnings | 207,788 | 89,744 | 496,608 | 319,843 | 331,392 | 540,985 | 1,006,525 | 1,429,807 | 504,755 | (51,027) |
| Grant proceeds | - | - | - | - | - | - | - | - | - | - |
| FEMA reimbursements (uncollectible) | 54,474 | 6,204 | 195,924 | 32,654 | - | - | 19,015 | - | - | 213,844 |
| Miscellaneous rentals and sale of property | 613,685 | 694,545 | 4,785,339 | 916,922 | 632,649 | 981,699 | 1,002,876 | 913,214 | 1,014,502 | 1,646,619 |
| Total non-operating revenues | 875,947 | 790,493 | 5,477,871 | 1,269,419 | 964,041 | 1,522,684 | 2,028,416 | 2,343,021 | 1,519,257 | 1,809,436 |
| Total revenues | \$ 91,260,055 | \$ 92,081,232 | \$ 101,098,637 | \$ 99,752,764 | \$ 104,415,024 | \$ 102,140,526 | \$ 109,916,914 | \$ 111,580,896 | \$ 116,128,533 | \$ 116,771,511 |

**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 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 5/8" | \$ 45,872 | \$ 47,411 | \$ 48,320 | \$ 50,782 | \$ 54,330 | \$ 52,553 | \$ 53,319 | \$ 55,032 | \$ 59,630 | \$ 58,553 |
| 1" | 3,330 | 3,379 | 3,273 | 3,610 | 3,724 | 3,366 | 3,581 | 3,708 | 3,766 | 3,889 |
| 1 1/2 " | 742 | 774 | 818 | 962 | 1,023 | 932 | 1,045 | 1,129 | 1,126 | 1,180 |
| 2" | 6,821 | 6,804 | 7,722 | 7,344 | 7,648 | 7,426 | 7,124 | 8,225 | 8,169 | 8,319 |
| 3" | 2,375 | 2,350 | 2,755 | 2,544 | 2,514 | 2,582 | 3,010 | 2,881 | 2,853 | 2,859 |
| 4" | 7,747 | 7,581 | 8,647 | 8,116 | 8,283 | 8,113 | 8,393 | 8,654 | 9,409 | 9,460 |
| 6" | 5,596 | 6,943 | 6,879 | 7,812 | 7,983 | 8,425 | 12,203 | 10,449 | 11,222 | 11,771 |
| 8" | 5,396 | 5,094 | 5,891 | 6,060 | 5,913 | 5,248 | 6,452 | 7,400 | 7,772 | 7,556 |
| 10" - 12" | 4,703 | 3,694 | 4,186 | 3,940 | 4,513 | 4,641 | 4,512 | 4,377 | 4,279 | 4,015 |
| | <u>\$ 82,582</u> | <u>\$ 84,030</u> | <u>\$ 88,491</u> | <u>\$ 91,170</u> | <u>\$ 95,931</u> | <u>\$ 93,286</u> | <u>\$ 99,639</u> | <u>\$ 101,855</u> | <u>\$ 108,226</u> | <u>\$ 107,602</u> |
| Untreated water | <u>1,830</u> | <u>1,357</u> | <u>1,125</u> | <u>1,473</u> | <u>1,719</u> | <u>1,490</u> | <u>1,786</u> | <u>1,491</u> | <u>1,231</u> | <u>1,481</u> |
| Total | <u><u>\$ 84,412</u></u> | <u><u>\$ 85,387</u></u> | <u><u>\$ 89,616</u></u> | <u><u>\$ 92,643</u></u> | <u><u>\$ 97,650</u></u> | <u><u>\$ 94,776</u></u> | <u><u>\$ 101,425</u></u> | <u><u>\$ 103,346</u></u> | <u><u>\$ 109,457</u></u> | <u><u>\$ 109,083</u></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 |
| 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 |
| 2020 | 1/1/2020 | \$ 3.28 | \$ 10.61 | \$ 8.19 | \$ 24.38 |
| 2021 | 1/1/2021 | \$ 3.38 | \$ 10.86 | \$ 8.44 | \$ 25.05 |

Notes: Rates are based on a standard 5/8" household meter.

Minimum charges and capital improvement fees increase according to meter size; 5/8" minimum includes 2,500 gallons.

There was no rate increase in 2017.

Beginning in 2018, the service charges for water and sewer both increased from \$2.00 to \$2.30.

Rates are based on a declining block schedule and begin decreasing after 2,000,000 gallons.

Beginning in 2020, water and sewer capital improvement fees were added to the minimum charge for all meter sizes.

Details on the rate increase effective January 1, 2022, 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**

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Big Creek System | | | | | | | | | | |
| Mobile Water Service | \$ 2,666,138 | \$ 2,597,563 | \$ 3,014,386 | \$ 3,143,078 | \$ 3,244,971 | \$ 3,039,470 | \$ 3,373,112 | \$ 3,348,447 | \$ 3,342,400 | \$ 3,345,925 |
| Less: Intra-fund eliminations | (2,666,138) | (2,597,563) | (3,014,386) | (3,143,078) | (3,244,971) | (3,039,470) | (3,373,112) | (3,348,447) | (3,342,400) | (3,345,925) |
| Kimberly-Clark Corp. | 1,504,139 | 1,095,070 | 1,086,721 | 1,076,861 | 1,322,037 | 1,194,848 | 1,412,126 | 1,174,898 | 1,003,976 | 1,158,905 |
| Kemira Water Solutions | 4,429 | 5,007 | 7,477 | 6,225 | 5,525 | 5,741 | 7,194 | 6,295 | 4,628 | 4,769 |
| Occidental Chemical | 3,932 | 3,765 | 4,336 | 4,724 | 10,302 | 10,888 | 6,482 | 4,308 | 2,943 | 3,134 |
| UOP | 145,966 | 157,017 | 176,695 | 191,924 | 207,395 | 188,971 | 220,949 | 193,314 | 133,061 | 157,769 |
| Merchants Transfer (formerly Multisorb Technologies and Eagle Chemical Company) | 3,681 | 3,765 | 4,301 | 4,494 | 4,668 | 4,719 | 4,724 | 4,308 | 2,943 | 3,134 |
| Mobile Paper Board Corp. | 23,598 | 25,689 | 31,081 | 26,637 | 31,249 | 32,721 | 38,043 | 26,294 | 6,431 | 1,807 |
| Shell Chemical LP | - | - | - | - | - | - | - | - | - | 43,559 |
| Mobile Energy | <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> | <u>76,599</u> | <u>107,434</u> |
| Total Big Creek System | 1,760,566 | 1,345,066 | 1,351,525 | 1,454,709 | 1,716,895 | 1,489,912 | 1,786,334 | 1,491,099 | 1,230,581 | 1,480,511 |
| Mobile River System | | | | | | | | | | |
| SSAB Steel | 69,338 | 45,234 | 29,720 | 18,158 | 1,808 | - | - | - | - | - |
| SSAB Steel prior year adjustment | - | (33,756) | (256,043) | - | - | - | - | - | - | - |
| Kimberly-Clark Corp. | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Mobile River System | <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> | <u>-</u> | <u>-</u> |
| Total Operating Revenues - Industrial Water Accounts | <u><u>\$ 1,829,904</u></u> | <u><u>\$ 1,356,544</u></u> | <u><u>\$ 1,125,202</u></u> | <u><u>\$ 1,472,867</u></u> | <u><u>\$ 1,718,703</u></u> | <u><u>\$ 1,489,912</u></u> | <u><u>\$ 1,786,334</u></u> | <u><u>\$ 1,491,099</u></u> | <u><u>\$ 1,230,581</u></u> | <u><u>\$ 1,480,511</u></u> |

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

SCHEDULE OF TEN LARGEST USERS

Last Ten Years

| User | 2012 | | 2013 | | 2014 | | 2015 | | 2016 | |
|-----------------------------|-------------------|-------------------------------|-------------------|-------------------------------|-------------------|-------------------------------|-------------------|-------------------------------|-------------------|-------------------------------|
| | 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 |
| Alabama Power | 273,537,700 | 2.14% | 326,877,700 | 2.75% | 288,794,900 | 2.33% | 271,218,800 | 2.26% | 169,264,400 | 1.47% |
| Alabama State Docks | 253,886,400 | 1.99% | 247,167,300 | 2.08% | 384,062,800 | 3.10% | 280,572,000 | 2.33% | 445,407,800 | 3.87% |
| Holcim (US) Inc. | 153,976,500 | 1.21% | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Huls America/Degussa/Evonik | 640,333,000 | 5.02% | 582,181,500 | 4.90% | 495,438,300 | 4.01% | 457,294,900 | 3.80% | 463,246,000 | 4.02% |
| Kimberly Clark Corp. | n/a | n/a | 127,722,800 | 1.07% | 134,103,100 | 1.08% | 116,993,100 | 0.97% | 111,907,400 | 0.97% |
| Mitsubishi Polysilicon | 285,309,700 | 2.24% | 201,746,000 | 1.70% | 199,026,100 | 1.61% | 197,112,700 | 1.64% | 207,072,100 | 1.80% |
| Mobile Housing Board | n/a | n/a | 108,775,700 | 0.92% | n/a | n/a | 112,264,600 | 0.93% | 126,284,700 | 1.10% |
| Mobile Infirmary | 115,655,900 | 0.91% | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Mobile Public Schools | n/a | n/a | n/a | n/a | 100,368,500 | 0.81% | n/a | n/a | n/a | n/a |
| Phenolchemie Inc. | 529,890,100 | 4.15% | 158,440,000 | 1.33% | 139,800,000 | 1.13% | 174,600,000 | 1.45% | 184,500,000 | 1.60% |
| Praxair | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Prichard Water and Sewer | 1,082,743,900 | 8.49% | 1,050,426,500 | 8.84% | 1,061,450,700 | 8.58% | 964,938,500 | 8.02% | 970,807,800 | 8.43% |
| Spanish Fort Water | 223,285,000 | 1.75% | 181,012,500 | 1.52% | 222,343,500 | 1.80% | 228,835,000 | 1.90% | 220,642,700 | 1.92% |
| University of South Alabama | 194,266,400 | 1.52% | 174,046,600 | 1.46% | 152,984,900 | 1.24% | 167,222,000 | 1.39% | 149,368,100 | 1.30% |

| User | 2017 | | 2018 | | 2019 | | 2020 | | 2021 | |
|-----------------------------|-------------------|-------------------------------|-------------------|-------------------------------|-------------------|-------------------------------|-------------------|-------------------------------|-------------------|-------------------------------|
| | 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 |
| Alabama Power | 176,664,100 | 1.63% | 215,062,900 | 1.89% | 208,837,800 | 1.81% | 187,084,200 | 1.62% | 177,602,000 | 1.59% |
| Alabama State Docks | 338,406,400 | 3.11% | 295,343,800 | 2.60% | 384,209,600 | 3.33% | 276,803,900 | 2.40% | 1,774,858 | 0.02% |
| Holcim (US) Inc. | n/a | n/a | n/a | n/a | 96,286,600 | 0.84% | 87,100,200 | 0.76% | 90,382,000 | 0.81% |
| Huls America/Degussa/Evonik | 523,476,000 | 4.82% | 331,116,200 | 2.91% | 336,092,100 | 2.92% | 289,287,800 | 2.51% | 257,772,000 | 2.31% |
| Kimberly Clark Corp. | 138,080,400 | 1.27% | 116,501,700 | 1.03% | 118,947,600 | 1.03% | 117,016,000 | 1.02% | 134,802,000 | 1.21% |
| Mitsubishi Polysilicon | 304,431,200 | 2.80% | 224,077,700 | 1.97% | 203,394,500 | 1.77% | 203,359,900 | 1.77% | 201,477,000 | 1.80% |
| Mobile Energy | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Mobile Housing Board | 99,697,200 | 0.92% | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Mobile Infirmary | n/a | n/a | 80,641,800 | 0.71% | n/a | n/a | n/a | n/a | 73,488,900 | 0.66% |
| Mobile Public Schools | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Phenolchemie Inc. | 182,050,000 | 1.68% | 187,900,000 | 1.65% | 179,650,000 | 1.56% | 200,200,000 | 1.74% | 165,491,000 | 1.48% |
| Praxair | n/a | n/a | n/a | n/a | n/a | n/a | 81,185,900 | 0.70% | n/a | n/a |
| Prichard Water and Sewer | 1,054,229,000 | 9.70% | 1,167,902,100 | 10.28% | 1,097,756,050 | 9.53% | 1,336,005,800 | 11.60% | 1,471,640,000 | 13.18% |
| Spanish Fort Water | 196,991,300 | 1.81% | 261,017,700 | 2.30% | 293,784,000 | 2.55% | 329,090,900 | 2.86% | 264,246,000 | 2.37% |
| University of South Alabama | 199,699,100 | 1.84% | 173,291,300 | 1.53% | 113,957,400 | 0.99% | n/a | n/a | n/a | n/a |

Note: Information on all ten top users for 2020 was not recorded in all cases for each year from 2011 through 2019

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

**SCHEDULE OF FUTURE DEBT PAYMENTS - REVENUE BONDS
(In Thousands)
December 31, 2021**

| Water and Sewer Revenue Bonds | | | | | SRF Subordinate Revenue Bonds | | | | | | | | | | | | Total | |
|-------------------------------|------|----------------|-------------|----------------|-------------------------------|----------------|----------------|----------------|----------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------|--------|
| | | Series 2010 | Series 2014 | Series 2016 | Total | Series 2004 | Series 2012 | Series 2014 | Series 2016 | Series 2018 CWSRF | Series 2018 DWSRF | Series 2019 CWSRF | Series 2019 DWSRF | Series 2020 CWSRF | Series 2021 CWSRF | Series 2021 DWSRF | Total | |
| 2022 | Prin | 2,233 | - | 4,825 | 7,058 | 640 | 975 | 930 | 895 | 1,355 | 325 | 420 | 845 | 1,330 | 1,450 | 520 | 9,685 | 16,743 |
| | Int | 30 | 4,848 | 219 | 5,097 | 60 | 346 | 345 | 347 | 608 | 145 | 202 | 395 | 666 | 776 | 277 | 4,167 | 9,264 |
| 2023 | Prin | - | 950 | 4,920 | 5,870 | 660 | 1,000 | 955 | 915 | 1,385 | 330 | 430 | 860 | 1,360 | 1,485 | 530 | 9,910 | 15,780 |
| | Int | - | 4,848 | 130 | 4,978 | 41 | 317 | 322 | 327 | 578 | 138 | 193 | 376 | 637 | 744 | 266 | 3,939 | 8,917 |
| 2024 | Prin | - | 1,005 | 1,230 | 2,235 | 680 | 1,030 | 980 | 935 | 1,415 | 335 | 440 | 880 | 1,390 | 1,515 | 540 | 10,140 | 12,375 |
| | Int | - | 4,801 | 39 | 4,840 | 21 | 288 | 299 | 307 | 547 | 130 | 183 | 357 | 607 | 711 | 254 | 3,704 | 8,544 |
| 2025 | Prin | - | 4,695 | 900 | 5,595 | - | 1,060 | 1,005 | 955 | 1,445 | 345 | 450 | 900 | 1,420 | 1,550 | 555 | 9,685 | 15,280 |
| | Int | - | 4,751 | 16 | 4,767 | - | 257 | 275 | 286 | 516 | 123 | 174 | 338 | 576 | 677 | 242 | 3,464 | 8,231 |
| 2026 | Prin | - | 5,940 | - | 5,940 | - | 1,090 | 1,025 | 980 | 1,480 | 350 | 460 | 920 | 1,450 | 1,585 | 565 | 9,905 | 15,845 |
| | Int | - | 4,516 | - | 4,516 | - | 226 | 250 | 265 | 484 | 115 | 164 | 318 | 544 | 643 | 230 | 3,238 | 7,754 |
| 2027 | Prin | - | 7,240 | - | 7,240 | - | 1,125 | 1,055 | 1,000 | 1,510 | 360 | 470 | 940 | 1,480 | 1,620 | 580 | 10,140 | 17,380 |
| | Int | - | 4,219 | - | 4,219 | - | 194 | 225 | 243 | 452 | 108 | 154 | 297 | 512 | 607 | 217 | 3,009 | 7,228 |
| 2028 | Prin | - | 7,600 | - | 7,600 | - | 1,155 | 1,080 | 1,025 | 1,545 | 370 | 480 | 960 | 1,515 | 1,655 | 590 | 10,375 | 17,975 |
| | Int | - | 3,857 | - | 3,857 | - | 161 | 200 | 222 | 418 | 100 | 143 | 276 | 479 | 571 | 204 | 2,774 | 6,631 |
| 2029 | Prin | - | 7,980 | - | 7,980 | - | 1,190 | 1,105 | 1,045 | 1,580 | 375 | 490 | 980 | 1,550 | 1,690 | 605 | 10,610 | 18,590 |
| | Int | - | 3,477 | - | 3,477 | - | 127 | 173 | 199 | 385 | 92 | 133 | 255 | 445 | 534 | 191 | 2,535 | 6,012 |
| 2030 | Prin | - | 8,380 | - | 8,380 | - | 1,225 | 1,135 | 1,070 | 1,615 | 385 | 500 | 1,005 | 1,585 | 1,730 | 615 | 10,865 | 19,245 |
| | Int | - | 3,078 | - | 3,078 | - | 92 | 146 | 176 | 350 | 83 | 122 | 233 | 411 | 497 | 98 | 2,207 | 5,285 |
| 2031 | Prin | - | 8,715 | - | 8,715 | - | 1,260 | 1,160 | 1,095 | 1,650 | 395 | 515 | 1,025 | 1,615 | 1,765 | 630 | 11,110 | 19,825 |
| | Int | - | 2,743 | - | 2,743 | - | 56 | 118 | 152 | 315 | 75 | 111 | 211 | 376 | 458 | 164 | 2,036 | 4,779 |
| 2032 | Prin | - | 9,150 | - | 9,150 | - | 1,300 | 1,190 | 1,115 | 1,690 | 400 | 525 | 1,050 | 1,655 | 1,805 | 645 | 11,375 | 20,525 |
| | Int | - | 2,307 | - | 2,307 | - | 19 | 89 | 128 | 278 | 66 | 99 | 188 | 340 | 419 | 150 | 1,776 | 4,083 |
| 2033 | Prin | - | 9,520 | - | 9,520 | - | - | 1,220 | 1,140 | 1,725 | 410 | 535 | 1,070 | 1,690 | 1,845 | 660 | 10,295 | 19,815 |
| | Int | - | 1,941 | - | 1,941 | - | - | 61 | 104 | 241 | 57 | 88 | 165 | 303 | 379 | 136 | 1,534 | 3,475 |

(Continued)

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

**SCHEDULE OF FUTURE DEBT PAYMENTS - REVENUE BONDS (CONTINUED)
(In Thousands)
December 31, 2021**

| Water and Sewer Revenue Bonds | | | | | SRF Subordinate Revenue Bonds | | | | | | | | | | | | Total |
|-------------------------------|-------------|----------------|-------------|----------------|-------------------------------|-------------|-------------|-------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------|----------------|
| | Series 2010 | Series 2014 | Series 2016 | Total | Series 2004 | Series 2012 | Series 2014 | Series 2016 | Series 2018 CWSRF | Series 2018 DWSRF | Series 2019 CWSRF | Series 2019 DWSRF | Series 2020 CWSRF | Series 2020 CWSRF | Series 2020 CWSRF | Total | |
| 2034 Prin | - | 9,900 | - | 9,900 | - | - | 1,250 | 1,165 | 1,765 | 420 | 550 | 1,095 | 1,725 | 1,885 | 675 | 10,530 | 20,430 |
| Int | - | 1,560 | - | 1,560 | - | - | 31 | 79 | 203 | 48 | 76 | 141 | 265 | 338 | 121 | 1,302 | 2,862 |
| 2035 Prin | - | 10,390 | - | 10,390 | - | - | - | 1,195 | 1,805 | 430 | 560 | 1,120 | 1,765 | 1,925 | 690 | 9,490 | 19,880 |
| Int | - | 1,065 | - | 1,065 | - | - | - | 53 | 164 | 39 | 64 | 116 | 227 | 296 | 106 | 1,065 | 2,130 |
| 2036 Prin | - | 10,910 | - | 10,910 | - | - | - | 1,220 | 1,845 | 440 | 570 | 1,145 | 1,805 | 1,970 | 705 | 9,700 | 20,610 |
| Int | - | 544 | - | 544 | - | - | - | 27 | 125 | 30 | 52 | 92 | 188 | 253 | 90 | 858 | 1,402 |
| 2037 Prin | - | - | - | - | - | - | - | - | 1,885 | 450 | 585 | 1,170 | 1,845 | 2,015 | 720 | 8,670 | 8,670 |
| Int | - | - | - | - | - | - | - | - | 84 | 20 | 39 | 66 | 147 | 209 | 75 | 640 | 640 |
| 2038 Prin | - | - | - | - | - | - | - | - | 1,925 | 460 | 600 | 1,195 | 1,885 | 2,060 | 735 | 8,860 | 8,860 |
| Int | - | - | - | - | - | - | - | - | 43 | 10 | 26 | 40 | 106 | 165 | 59 | 448 | 448 |
| 2039 Prin | - | - | - | - | - | - | - | - | - | - | 610 | 1,220 | 1,925 | 2,105 | 750 | 6,610 | 6,610 |
| Int | - | - | - | - | - | - | - | - | - | - | 13 | 13 | 65 | 119 | 42 | 252 | 252 |
| 2040 Prin | - | - | - | - | - | - | - | - | - | - | - | - | 1,970 | 2,150 | 770 | 4,890 | 4,890 |
| Int | - | - | - | - | - | - | - | - | - | - | - | - | 21 | 72 | 26 | 119 | 119 |
| 2041 Prin | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,195 | 785 | 2,980 | 2,980 |
| Int | - | - | - | - | - | - | - | - | - | - | - | - | - | 24 | 9 | 33 | 33 |
| Prin Premium | 2,233 (7) | 102,375 6,013 | 11,875 - | 116,483 6,006 | 1,980 - | 12,410 - | 14,090 - | 15,750 - | 27,620 - | 6,580 - | 9,190 - | 18,380 - | 30,960 - | 36,000 - | 12,865 - | 185,825 - | 302,308 6,006 |
| Total Prin | 2,226 | 108,388 | 11,875 | 122,489 | 1,980 | 12,410 | 14,090 | 15,750 | 27,620 | 6,580 | 9,190 | 18,380 | 30,960 | 36,000 | 12,865 | 185,825 | 308,314 |
| Interest Premium | 30 7 | 48,555 (6,013) | 404 - | 48,989 (6,006) | 122 - | 2,083 - | 2,534 - | 2,915 - | 5,791 - | 1,379 - | 2,036 - | 3,877 - | 6,915 - | 8,493 - | 2,955 - | 42,363 - | 96,626 (6,006) |
| Total Int | 37 | 42,542 | 404 | 42,983 | 122 | 2,083 | 2,534 | 2,915 | 5,791 | 1,379 | 2,036 | 3,877 | 6,915 | 8,493 | 2,955 | 42,363 | 90,620 |
| | \$ 2,263 | \$ 150,930 | \$ 12,279 | \$ 165,472 | \$ 2,102 | \$ 14,493 | \$ 16,624 | \$ 18,665 | \$ 33,411 | \$ 7,959 | \$ 11,226 | \$ 22,257 | \$ 37,875 | \$ 44,493 | \$ 15,820 | \$228,188 | \$ 398,934 |

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

| Year | System Revenues * | Operating Expenses ** | Annual Net Income *** | Water and Sewer Revenue Bonds | | | Debt Coverage - Parity Debt Only | State Revolving Fund Revenue Bonds | | | Subordinated Debt Principal and Interest Requirements | Total Principal and Interest Requirements - Parity and Subordinated **** | Debt Coverage - Parity and Subordinated ***** |
|------|-------------------|-----------------------|-----------------------|-------------------------------|-----------------------|-------------------------------------|----------------------------------|-------------------------------------|------------------------------------|---------------|---|--|---|
| | | | | Debt Service Principal | Debt Service Interest | Principal and Interest Requirements | | Subordinated Debt Service Principal | Subordinated Debt Service Interest | | | | |
| 2012 | \$ 91,033,789 | \$ 51,664,967 | \$ 39,368,822 | \$ 8,925,682 2233 | \$ 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 |
| 2020 | \$ 114,609,276 | \$ 58,536,208 | \$ 56,073,068 | \$ 10,460,232 | \$ 5,299,307 | \$ 15,759,539 | 3.56 | \$ 7,530,000 | \$ 3,294,788 | \$ 10,824,788 | \$ 26,584,327 | | 2.11 |
| 2021 | \$ 114,962,075 | \$ 59,778,336 | \$ 55,183,739 | \$ 6,969,056 | \$ 5,183,442 | \$ 12,152,498 | 4.54 | \$ 7,530,000 | \$ 4,120,227 | \$ 11,650,227 | \$ 23,802,725 | | 2.32 |

* 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 2011 - 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 |
|-------------|--------------------------------|---|--|---------------------------------------|------------------------------|
| 2012 | 88,606 | \$185,067 | \$62,870 | \$247,937 | \$2,798 |
| 2013 | 88,906 | \$175,712 | \$58,640 | \$2,233 | \$25 |
| 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 |
| 2020 | 91,186 | \$132,948 | \$144,490 | \$277,438 | \$3,043 |
| 2021 | 90,348 | \$122,489 | \$185,825 | \$308,314 | \$3,413 |

**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> |
|-------------|-----------------------|----------------------|
| 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 |
| 2020 | 187,041 | 414,809 |

Source: US Census website....<https://www.census.gov/quickfacts/mobilecounty>

Assessed Valuation (Real and Personal Property):

| <u>Tax Year</u> | <u>City of Mobile</u> | <u>Mobile County</u> |
|-----------------|-----------------------|----------------------|
| 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 |
| 2020 | \$2,597,488,600 | \$5,091,898,360 |
| 2021 | \$2,936,069,800 | \$5,228,590,600 |

Source: 2012 through 2021 - Revenue Commissioner's Office

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

**MOBILE COUNTY DEMOGRAPHIC STATISTICS
Last Ten Years**

| Year | Population | School Enrollment | Per Capita Personal Income | Median Income Per Household | Labor Force | Unemployment Rate Percent | Employment |
|-------------|-------------------|------------------------------|---------------------------------------|--|--------------------|--------------------------------------|-------------------|
| 2012 | 413,936 | 59,706 | \$ 33,554 | \$ 43,252 | 187,925 | 8.3% | 172,410 |
| 2013 | 414,560 | 59,582 | \$ 33,924 | \$ 41,800 | 186,004 | 8.0% | 171,163 |
| 2014 | 415,123 | 59,746 | \$ 34,675 | \$ 44,264 | 183,668 | 6.7% | 171,415 |
| 2015 | 415,395 | 58,537 | \$ 36,169 | \$ 43,844 | 187,902 | 6.6% | 175,493 |
| 2016 | 415,635 | 57,694 | \$ 35,031 | \$ 45,821 | 187,465 | 6.5% | 175,320 |
| 2017 | 413,955 | 56,572 | \$ 35,348 | \$ 45,233 | 185,118 | 4.1% | 177,529 |
| 2018 | 414,270 | 62,089 | \$ 35,951 | \$ 45,802 | 187,172 | 4.6% | 186,017 |
| 2019 | 414,328 | 54,144 | \$ 37,089 | \$ 46,166 | 192,453 | 3.0% | 184,147 |
| 2020 | 414,659 | 53,286 | \$ 40,112 | \$ 46,166 | 188,111 | 8.3% | 172,427 |
| 2021 | 415,395 | 53,992 | \$ 43,844 | \$ 47,583 | 186,778 | 4.6% | 178,166 |

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

**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> |
|-------------|-----------------------------|----------------------------|---------------------------|----------------------------|
| 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 |
| 2020 | 5,435 | \$195,707 | \$168,550 | 1.90 |
| 2021 | 6,193 | \$231,854 | \$204,975 | 1.00 |

Source: Alabama Center for Real Estate

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

**MOBILE COUNTY TOP TEN EMPLOYERS
2021 AND NINE YEARS AGO**

| Employer | 2021 | | | 2012 | | |
|--|--------------------------------|-------------|---|--------------------------------|-------------|---|
| | Full-Time Employees | Rank | Percentage of Total Employment | Full-Time Employees | Rank | Percentage of Total Employment |
| Mobile County Public School System | 7,200 | 1 | 3.99% | 7,250 | 1 | 4.02% |
| Univ of South Alabama & USA Medical Facilities | 6,000 | 2 | 3.32% | 5,500 | 2 | 3.05% |
| Infirmary Health Systems (Mobile Infirmary) | 5,400 | 3 | 2.99% | 4,660 | 3 | 2.58% |
| Austal USA | 4,000 | 4 | 2.21% | 3,200 | 4 | 1.77% |
| City of Mobile | 2,000 | 5 | 1.11% | 2,200 | 6 | 1.22% |
| AltaPointe | 1,700 | 6 | 0.94% | - | - | |
| Mobile County | 1,600 | 7 | 0.89% | 1,585 | 8 | 0.88% |
| AM/NS Calvert | 1,600 | 8 | 0.89% | - | - | |
| Providence Hospital | 1,250 | 9 | 0.69% | 1,670 | 7 | 0.92% |
| CPSI | 1,000 | 10 | 0.55% | - | - | |
| Wal-Mart | - | - | | 2,500 | 5 | 1.38% |
| ThyssenKrupp Steel | - | - | | 1,550 | 9 | 0.86% |
| ST Aerospace Mobile | - | - | | 1,500 | 10 | 0.83% |
| Totals | 31,750 | | 17.58% | 31,615 | | 17.51% |
| Total Number of Employees - All Mobile County Employers | 180,594 | | | 180,554 | | |

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) |
|----------------------------|---|---|---------------------------------------|---------|--------------------------------|------------------------|---|---|
| 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 |
| 2019 -2020 | 69.57 | 71.76 | 107.90 | (10/11) | 110.60 | (11/1) | 38.92 | 52.52 |
| 2020 -2021 | 71.19 | 60.01 | 107.60 | (9/16) | 111.00 | (2/13) | 47.06 | 52.66 |
| 10 Year Average | 65.85 | 65.80 | 108.29 | | 110.93 | | 37.89 | 55.07 |

- (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, 2021**

| | | <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: | 777.74 | 323.59 | 1,101.33 |
| | Daily Average: | 25.09 | 10.44 | 35.53 |
| | Daily Maximum: | 28.35 | 11.00 | 39.36 |
| | Daily Minimum: | 21.64 | 9.81 | 31.45 |
| February | Total Million Gallons: | 715.18 | 303.85 | 1,019.03 |
| | Daily Average: | 25.54 | 10.85 | 36.39 |
| | Daily Maximum: | 35.24 | 11.53 | 46.77 |
| | Daily Minimum: | 20.81 | 10.30 | 31.11 |
| March | Total Million Gallons: | 811.85 | 298.94 | 1,110.79 |
| | Daily Average: | 26.19 | 9.64 | 35.83 |
| | Daily Maximum: | 30.21 | 11.62 | 41.83 |
| | Daily Minimum: | 20.43 | 8.99 | 29.43 |
| April | Total Million Gallons: | 739.12 | 291.84 | 1,030.96 |
| | Daily Average: | 24.64 | 9.73 | 34.36 |
| | Daily Maximum: | 29.15 | 11.63 | 40.78 |
| | Daily Minimum: | 21.12 | 8.98 | 30.10 |
| May | Total Million Gallons: | 799.63 | 355.98 | 1,155.61 |
| | Daily Average: | 25.79 | 11.48 | 37.28 |
| | Daily Maximum: | 32.50 | 11.79 | 44.30 |
| | Daily Minimum: | 20.32 | 11.01 | 31.33 |
| June | Total Million Gallons: | 879.39 | 343.94 | 1,223.33 |
| | Daily Average: | 29.31 | 11.46 | 40.78 |
| | Daily Maximum: | 35.85 | 11.98 | 47.83 |
| | Daily Minimum: | 21.68 | 10.44 | 32.12 |
| July | Total Million Gallons: | 821.08 | 353.93 | 1,175.01 |
| | Daily Average: | 26.49 | 11.42 | 37.90 |
| | Daily Maximum: | 29.18 | 11.81 | 40.99 |
| | Daily Minimum: | 23.29 | 10.80 | 34.09 |
| August | Total Million Gallons: | 883.97 | 346.33 | 1,230.31 |
| | Daily Average: | 56.07 | 11.17 | 67.25 |
| | Daily Maximum: | 32.73 | 12.55 | 45.29 |
| | Daily Minimum: | 23.45 | 10.38 | 33.83 |
| September | Total Million Gallons: | 797.83 | 345.94 | 1,143.77 |
| | Daily Average: | 26.59 | 11.53 | 38.13 |
| | Daily Maximum: | 30.14 | 12.51 | 42.65 |
| | Daily Minimum: | 23.55 | 10.60 | 34.15 |
| October | Total Million Gallons: | 817.56 | 336.24 | 1,153.80 |
| | Daily Average: | 26.37 | 10.85 | 37.22 |
| | Daily Maximum: | 32.59 | 12.27 | 44.86 |
| | Daily Minimum: | 22.05 | 9.06 | 31.11 |
| November | Total Million Gallons: | 776.52 | 348.32 | 1,124.84 |
| | Daily Average: | 25.88 | 11.61 | 37.49 |
| | Daily Maximum: | 28.88 | 12.30 | 41.18 |
| | Daily Minimum: | 21.43 | 11.02 | 32.45 |
| December | Total Million Gallons: | 779.98 | 352.34 | 1,132.32 |
| | Daily Average: | 25.16 | 11.37 | 36.53 |
| | Daily Maximum: | 27.85 | 11.89 | 39.74 |
| | Daily Minimum: | 21.94 | 10.71 | 32.65 |
| <hr/> | | <hr/> | | |
| Annual | Total Million Gallons: | 9,599.86 | 4,001.25 | 13,601.10 |
| | Daily Average: | 28.59 | 10.96 | 39.56 |
| | Daily Maximum: | 35.85 | 12.55 | 47.83 |
| | Daily Minimum: | 20.32 | 8.98 | 29.43 |

**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.) |
| 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 |
| 2020 | 26.71 | 9,748.71 | 44.4% | 10.52 | 3,838.28 | 35.1% | 37.22 | 13,586.99 | 41.4% | 13.59 |
| 2021 | 26.30 | 9,600.07 | 43.8% | 10.96 | 4,001.25 | 36.5% | 37.26 | 13,601.32 | 41.4% | 13.60 |
| 10 Year Average | 26.01 | 9,499.85 | 43% | 11.35 | 4,152.64 | 38% | 37.40 | 13,652.49 | 42% | 13.65 |

**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) |
| 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 |
| 2020 | 28.0 | 20.45 | 66.71 | 12.8 | 7.82 | 20.94 |
| 2021 | 28.0 | 23.84 | 75.76 | 12.8 | 9.43 | 25.50 |
| 10 Year Average | 28.0 | 24.3 | 69.0 | 12.8 | 9.5 | 27.3 |

**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) | Constructe d Daily Capacity (MGD) | Avg. Daily Flow (MGD) | Peak Daily Flow (MGD) |
| 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 |
| 2020 | 0.060 | 0.0154 | 0.0205 | 0.056 | 0.0525 | 0.0594 | 0.020 | 0.0020 | 0.0058 |
| 2021 | 0.060 | 0.0165 | 0.0260 | 0.056 | 0.0563 | 0.0638 | 0.020 | 0.0032 | 0.0087 |
| 10 Year Average | 0.060 | 0.016 | 0.038 | 0.056 | 0.048 | 0.072 | 0.020 | 0.004 | 0.010 |

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

**C. C. WILLIAMS WWTF
2021 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 | 32.09 | 139,710 | 273,084 | 245,460 | 1.40 | 1,400 | 500 | 70 | 270 | 551,014 | 75,981 |
| | Min | 16.22 | 17 | - | 34,759 | - | 600 | 140 | 42 | - | - | 7,000 |
| | Avg | 18.88 | 78,975 | 86,809 | 93,538 | 0.10 | 956 | 54 | 54 | 17 | 59,484 | 23,838 |
| February | Max | 38.85 | 155,534 | 217,234 | 139,133 | 1.40 | 1,760 | 500 | 71 | 270 | 506,000 | 88,000 |
| | Min | 12.53 | 16,019 | 13,000 | 5,000 | 0.10 | 800 | 220 | 29 | 195 | 34 | 35 |
| | Avg | 22.97 | 76,308 | 149,476 | 74,220 | 0.62 | 1,213 | 37 | 52 | 227 | 56,860 | 29,681 |
| March | Max | 42.55 | 105,180 | 207,534 | 112,078 | 1.60 | 1,800 | 520 | 74 | 300 | 72,000 | 74,000 |
| | Min | 19.42 | 5,900 | - | 145 | - | 680 | 270 | 50 | - | - | 23 |
| | Avg | 24.01 | 62,349 | 77,974 | 59,996 | 0.22 | 1,258 | 399 | 65 | 45 | 21,393 | 28,467 |
| April | Max | 58.59 | 300,960 | 206,326 | 123,090 | 3.44 | 1,600 | 640 | 77 | 270 | 72,000 | 79,000 |
| | Min | 17.84 | 8,502 | - | 190 | - | 730 | 200 | 50 | - | - | 14 |
| | Avg | 30.10 | 67,808 | 94,953 | 62,949 | 0.47 | 1,227 | 380 | 68 | 39 | 27,970 | 34,442 |
| May | Max | 57.33 | 139,777 | 151,558 | 128,336 | 2.40 | 1,820 | 500 | 89 | 270 | 62,000 | 60,000 |
| | Min | 15.84 | 69,808 | - | 116 | - | 840 | 270 | 69 | - | - | 18 |
| | Avg | 24.89 | 70,392 | 81,471 | 73,563 | 0.20 | 1,347 | 401 | 76 | 44 | 18,134 | 27,811 |
| June | Max | 62.49 | 174,633 | 181,826 | 127,334 | 6.00 | 1,940 | 500 | 87 | 891 | 80,000 | 28,000 |
| | Min | 16.87 | 17,415 | 101,963 | 12 | 0.02 | 800 | 300 | 74 | 220 | 1 | 11 |
| | Avg | 26.78 | 69,427 | 146,145 | 56,526 | 1.00 | 1,409 | 414 | 81 | 534 | 15,823 | 12,541 |
| July | Max | 50.53 | 127,906 | 183,789 | 119,782 | 2.80 | 1,880 | 540 | 92 | 270 | 61,000 | 47,000 |
| | Min | 18.07 | 20 | - | - | - | 900 | 200 | 76 | - | - | 9 |
| | Avg | 27.43 | 63,203 | 86,089 | 48,668 | 0.28 | 1,406 | 396 | 84 | 51 | 14,583 | 18,518 |
| August | Max | 75.76 | 142,404 | 154,623 | 112,800 | 3.30 | 2,050 | 520 | 94 | 425 | 44,000 | 16,000 |
| | Min | 18.03 | 7,108 | 4,230 | 124 | 0.08 | 1,000 | 180 | 78 | 175 | 9 | 8 |
| | Avg | 25.18 | 62,182 | 121,163 | 48,608 | 1.02 | 1,380 | 366 | 86 | 294 | 14,876 | 11,201 |
| September | Max | 67.40 | 163,476 | 195,072 | 106,264 | 2.75 | 1,920 | 580 | 88 | 270 | 69,000 | 17,000 |
| | Min | 20.43 | 3,000 | - | - | - | 780 | 270 | 68 | - | - | 22 |
| | Avg | 29.98 | 60,779 | 70,820 | 32,788 | 0.30 | 1,466 | 412 | 79 | 78 | 15,870 | 6,704 |
| October | Max | 32.49 | 158,370 | 140,495 | 113,304 | 1.85 | 1,680 | 500 | 86 | 200 | 81,000 | 29,000 |
| | Min | 12.25 | 6,816 | - | 2,772 | - | 760 | 300 | 58 | - | - | 22 |
| | Avg | 20.60 | 61,061 | 86,185 | 63,843 | 0.20 | 1,288 | 422 | 75 | 26 | 14,989 | 15,555 |
| November | Max | 19.85 | 146,639 | 191,164 | 138,254 | 0.70 | 1,960 | 480 | 71 | 200 | 97,000 | 47,000 |
| | Min | 14.29 | 56,483 | 79,841 | 5,440 | 0.30 | 740 | 40 | 14 | 175 | 41 | 13 |
| | Avg | 16.11 | 59,383 | 122,528 | 56,880 | 0.48 | 1,280 | 356 | 59 | 188 | 38,875 | 19,604 |
| December | Max | 33.96 | 181,632 | 185,603 | 191,504 | 3.20 | 1,940 | 820 | 74 | 200 | 94,000 | 40,000 |
| | Min | 14.08 | 1 | 71,178 | 2,164 | 0.03 | 800 | 200 | 44 | 175 | 2 | 5 |
| | Avg | 19.13 | 73,336 | 127,680 | 104,600 | 0.74 | 1,345 | 412 | 62 | 188 | 35,356 | 14,847 |
| Annual | Max | 75.76 | 300,960 | 273,084 | 245,460 | 6.00 | 2,050 | 820 | 94 | 891 | 551,014 | 88,000 |
| | Min | 12.25 | 1 | - | - | - | 600 | 40 | 14 | - | - | 5 |
| | Avg | 23.84 | 67,100 | 104,274 | 64,682 | 0.47 | 1,298 | 337 | 70 | 144 | 27,851 | 20,267 |

Note: Permit daily capacity (mgd) is 28.0.

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

**WRIGHT SMITH, JR. WWTF
2021 STATISTICS**

| Month | | Eff Flow mgd | Rain inches | CL2 lbs | SO2 lbs | Grit ft3 |
|------------------|-----|-------------------------|------------------------|--------------------|--------------------|---------------------|
| January | Max | 11.44 | 1.17 | 219 | 214 | 158 |
| | Min | 6.11 | 0.05 | 73 | 39 | 74 |
| | Avg | 7.26 | 0.35 | 170 | 105 | 116 |
| February | Max | 14.31 | 1.10 | 223 | 136 | 179 |
| | Min | 6.43 | - | 107 | 68 | - |
| | Avg | 8.73 | 0.18 | 17 | 90 | 22 |
| March | Max | 11.70 | 1.73 | 293 | 253 | 210 |
| | Min | 9.28 | - | 142 | 69 | - |
| | Avg | 10.49 | 0.19 | 192 | 98 | 23 |
| April | Max | 21.84 | 3.45 | 246 | 191 | 232 |
| | Min | 7.04 | - | 162 | 51 | - |
| | Avg | 12.12 | 0.41 | 199 | 111 | 19 |
| May | Max | 20.37 | 1.72 | 314 | 206 | 211 |
| | Min | 6.18 | - | 181 | 55 | - |
| | Avg | 9.65 | 0.19 | 224 | 103 | 8 |
| June | Max | 25.50 | 3.12 | 297 | 191 | - |
| | Min | 6.54 | 0.01 | 188 | 77 | - |
| | Avg | 10.84 | 0.63 | 246 | 123 | - |
| July | Max | 16.83 | 1.60 | 370 | 191 | - |
| | Min | 7.13 | - | 193 | 91 | - |
| | Avg | 10.47 | 0.19 | 266 | 133 | - |
| August | Max | 21.98 | 3.15 | 327 | 174 | - |
| | Min | 6.12 | - | 104 | 67 | - |
| | Avg | 8.25 | 0.34 | 246 | 130 | - |
| September | Max | 19.83 | 5.20 | 327 | 217 | - |
| | Min | 7.56 | - | 177 | 111 | - |
| | Avg | 12.24 | 0.49 | 240 | 134 | - |
| October | Max | 11.88 | 1.60 | 275 | 233 | - |
| | Min | 6.33 | - | 137 | 68 | - |
| | Avg | 7.69 | 0.08 | 221 | 132 | - |
| November | Max | 7.85 | 0.10 | 227 | 182 | - |
| | Min | 5.40 | - | 144 | 72 | - |
| | Avg | 6.80 | 0.01 | 171 | 124 | - |
| December | Max | 16.83 | 1.76 | 316 | 186 | - |
| | Min | 5.66 | - | 85 | 53 | - |
| | Avg | 8.61 | 0.16 | 174 | 105 | - |
| Annual | Max | 25.50 | 5.20 | 370 | 253 | 232 |
| | Min | 5.40 | - | 73 | 39 | - |
| | Avg | 9.43 | 0.27 | 197 | 116 | 16 |

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 |
|-------------|--------------|--------------|--------------|
| 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 |
| 2020 | 87,448 | 84,649 | 91,186 |
| 2021 | 87,162 | 83,856 | 90,348 |

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

**TOTAL NUMBER OF EMPLOYEES
Last Ten Years**

**Full time equivalent employees
by function**

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|------|------|------|------|------|------|------|------|-------|------|
| Water Supply | 3 | 3 | 3 | 3 | 3 | 5 | 5 | 6 | 6.5 | 3 |
| Water Treatment | 26 | 26 | 23 | 25 | 25 | 27 | 30 | 30 | 29.0 | 28 |
| Wastewater Treatment | 36 | 36 | 37 | 35 | 36 | 40 | 43 | 43 | 43.0 | 34 |
| Transmission and Collection | 135 | 137 | 141 | 139 | 147 | 146 | 159 | 157 | 159.5 | 115 |
| Support Services | 46 | 47 | 44 | 46 | 46 | 44 | 48 | 47 | 48.5 | 43 |
| Supervision, Engineering, Accounting, Collections, and General Expense | 140 | 142 | 139 | 137 | 139 | 134 | 145 | 145 | 136.0 | 114 |
| | 386 | 391 | 387 | 385 | 396 | 396 | 430 | 428 | 422.5 | 337 |

* Note: 2012 FTE has 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 2021 CAPITAL PROJECT EXPENDITURES**

| <u>PROJECT NUMBER</u> | <u>WATER PROJECTS</u> | <u>AMOUNT</u> |
|------------------------------|--|----------------------|
| 3492200 | Theodore Water Booster Pump Station | 50,093 |
| 10164554 | Stickney Finished Water Piping Improvements | 514,387 |
| 10170707 | Myers Solids Handling Improvements | 582,746 |
| 10194727 | Stickney WTP Filter Waste Pipe Fittings Replacement | 14,322 |
| 10195981 | Stickney Reservoir Improvements | 30,024 |
| 10199152 | Stickney Electrical Upgrade | 438,213 |
| 10315599 | Underground Storage Tank Replacement | 50,622 |
| 175668273 | Big Creek Lake Dam Hoist and Gate Automation | 3,065,286 |
| 5614.ALU | Craft Highway 20" Water Main | 466,340 |
| M5712-2640 | Large Water Line Valves Replacement | 690,564 |
| M5712-2673 | Mobile River 16" Waterline Replacement | 44,521 |
| M5712-2699 | Phenol Chemie 12" Water Replacement Meter | 76,676 |
| | 2022 Annual Contract for Water Service Line Identification Under Previous | |
| M5712-2705/A | Surfaces | 15,824 |
| M5712-2710 | Large Waterline Valve Replacement | 15,225 |
| M5712-2711 | Theodore Dawes Road Waterline Improvement Highway 90 to Skyline Drive | 69,118 |
| M5712-2715 | Big Creek Lake Boat Wash Facilities | 49,271 |
| VARIOUS | Miscellaneous Water Projects | 29,215 |
| | | <hr/> 6,202,446 |
| | <u>WASTEWATER PROJECTS</u> | |
| 5610.190 | August Lift Station Force Main | 107,915 |
| 5611.190 | C.C. Williams Digester Cleaning | 90,083 |
| 19008 | Halls Mill Creek Sewer Abandonment | 77,749 |
| 19051 | Manhole Installation | 225,162 |
| 20019 | Florida Street Sewer Rehabilitation-Phase 1 | 270,061 |
| 21068 | 2021 Various Sewer Repairs | 184,612 |
| 50175 | Halls Mill Trunk Sewer Extension | 103,128 |
| 100316.32 | B051A01 System Rehab Phase -II | 477,375 |
| 100316.35 | B051A01 System Rehabilitation-Phase 2 | 25,294 |
| 674299 | Three Mile Creek Severe Weather Attenuation Basin | 1,187,707 |
| 3123300 | C C Williams WWTP Process Modeling and Alternative Analysis | 38,013 |
| 3180900 | Collection System Hydraulic Model | 5,991 |
| 3197100 | Smith WWTP Headworks | 6,537,220 |
| 3226100 | C C Williams Dewatering Facility and Other Improvements | 1,642,395 |
| 3385400 | Three Mile Creek Severe Weather Attenuation Tank Rehabilitation | 2,269,165 |
| 3424000 | Norton Lane Severe Weather Attenuation Tank and Lift Station | 517,421 |
| 2016-202-17 | Baltimore Street Development | 1,152,728 |
| 2019-3005-14 | Roundabout Installation at Canal Street and Broad Street | 156,250 |
| 395044DR | Dog River Lift Station Relocation | 367,609 |
| 5613.ALU | Magnolia Grove Lift Station and Force Main | 64,882 |
| 5617.ALU | C C Williams P3 Digester Dome Removal | 82,097 |
| 5619.ALU | C C Williams P3 Digester Dome Repair | 324,699 |
| CMOB160039 | Three Mile Creek Trunk Sewer Upgrades | 1,908,694 |
| CMOB190299 | Eslava Creek Trunk Sewer Upgrades | 344,818 |
| CMOB190300 | Crenshaw Street Lift Station and Sewer Force Main Improvements | 346,035 |
| CMOB190336 | Halls Mill and Eslava Creek Lift Stations Valve Replacement | 87,050 |
| M5712-2609B-3 | 2018 Annual Contract-Manhole Rehabilitation Year 3 | 17,953 |
| M5712-2610-3 | 2019 Annual Contract-Manhole Frame and Cover Replacement Year 3 | 194,289 |
| M5712-2614-3 | 2018 Access Road Annual Contract Year 3 | 6,486 |
| M5712-2640 | Large Water Valve Replacement-Phase V | 19,467 |
| M5712-2643-3 | 2020 Annual Contract for Cured-In-Place Pipe for Sanitary Sewer Rehab Year | 210,170 |
| M5712-2650 | Eslava Creek Force Main Replacement | 531,951 |
| | | (continued) |

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE
SCHEDULE OF 2021 CAPITAL PROJECT EXPENDITURES**

| <u>PROJECT NUMBER</u> | <u>WASTEWATER PROJECTS</u> | <u>AMOUNT</u> |
|------------------------------|--|-----------------------------------|
| M5712-2650 PH-2 | Eslava Creek Force Main Replacement-Phase 2 | 8,083,005 |
| M5712-2650 PH-3 | Eslava Creek Force Main Replacement-Phase 3 | 3,459,892 |
| M5712-2690 | 2021 Annual Contract-Access Roads and Easement Maintenance Year 1 | 1,515,922 |
| M5712-2692 | 2021 Annual Contract-Manhole Frame and Cover Replacement Year 1 | 55,554 |
| M5712-2694 | 2021 Annual Contract-CIPP Rehabilitation Public Laterals Year 1 | 99,316 |
| M5712-2695A | 2021 Annual Contract-Manhole Rehabilitation Year 1 | 118,183 |
| M5712-2695B | 2021 Annual Contract-Manhole Rehabilitation Year 1 | 109,251 |
| M5712-2696 | 2021 Annual Contract-CIPP Rehabilitation Large Diameter Sewer Mains Year 1 | 334,413 |
| M5712-2697 | 2021 Annual Contract To Install And Replace Sewer Laterals Year 1 | 67,453 |
| M5712-2700 | Perch Creek Sanitary Sewer Trunk Line CIPP | 461,150 |
| M5712-2712 | Emergency Depressed Sewer Replacement Halls Mill Creek | 1,897,590 |
| M5712-2714 | 2022 Annual Contract-CIPP Small Diameter Sanitary Sewer Rehabilitation | 9,698 |
| VARIOUS | Miscellaneous Wastewater Projects | 32,412 |
| | | <hr/> 35,818,307 |
| | <u>OTHER PROJECTS</u> | |
| 3180700 | Scada Hardware Standards and Software Selection | 18,840.59 |
| 50108991 | Duncan Avenue Water and Sewer Replacement | 987,623.59 |
| 2011-202-10 | Ann Street Water and Sewer Replacement | 159,230.00 |
| 2018-3005-18 | Texas Street Rehabilitation from Ann Street to Broad Street | 700,000.00 |
| 5603.ALU | St. Louis Street Development | 29,914.60 |
| AMOB2100991 | MAWSS Lab Renovation | 16,360.90 |
| M0042-4123 | Widening Ziegler Boulevard from Athey Road to Forrest Hill Drive | 33,384.00 |
| M5712-2313 | Briley Collins Sewer Replacement and Waterline Improvement | 127,347.93 |
| M5712-2353 | Schillinger Road Water and Sewer Relocation for Mobile County | 432,341.53 |
| M5712-2559 | Utility Relocation from Snow Road to Ziegler Boulevard | 22,362.80 |
| | City Project for Right-of-Way Restoration North McGregor Avenue | |
| M5712-2683 | Reconstruction Water and Sewer Replacement | 13,074.00 |
| M5712-2691 | Truck Wash Facility | 84,025.86 |
| M5712-2716 | Williams Wastewater Treatment Facility High Bay Garage Roof Replacement | 5,046.44 |
| M5712-2720 | Roof Replacement at Big Creek Pumping Station | 8,774.06 |
| NS.15466.000 | Widening McGregor Avenue from Airport Boulevard to Dauphin Street | 59,104.52 |
| NS.15593.000 | McDonald Avenue Waterline Improvements | 111,745.67 |
| VARIOUS | Miscellaneous Other Projects | 11,142.66 |
| | | <hr/> 2,820,319 |
| | <u>TOTAL CAPITAL PROJECT EXPENDITURES - 2021</u> | <hr/> <u>\$ 44,841,072</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, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated April 28, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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
April 28, 2022

**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

Opinion on Each 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 identified as subject to audit 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, 2021. The Board's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questions costs.

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 program for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Jackson Thornton & Co. PC

Montgomery, Alabama
April 28, 2022

**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

| 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> | | | |
| Passed through the Alabama Department of Environmental Management: | | | |
| Clean Water State Revolving Fund | | | |
| Capitalization Grants for Clean Water State Revolving Fund | 66.458 | CWSRF-DL | \$ 19,715,354 |
| Subtotal Clean Water State Revolving Fund | | | 19,715,354 |
| Drinking Water State Revolving Fund | | | |
| Capitalization Grants for Drinking Water State Revolving Fund | 66.468 | DWSRF-DL | 5,615,518 |
| Subtotal Drinking Water State Revolving Fund | | | 5,615,518 |
| Total U.S. Environmental Protection Agency | | | 25,330,872 |
| <u>DEPARTMENT OF HOMELAND SECURITY</u> | | | |
| Passed through the Alabama Emergency | | | |
| Management Agency | | | |
| Disaster Grants - Public Assistance | | | |
| (Presidentially Declared Disasters) | 97.036 | 000-UNZRO-00 | 213,844 |
| Total Department of Homeland Security | | | 213,844 |
| Total expenditures of federal awards | | | \$ 25,544,716 |

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, 2021

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, 2021. 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, 2021

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:

CFDA

Number(s)

Name of Federal Program

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?

 X Yes _____ 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, 2021

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, 2021

There were no prior year findings reported.