



2022 ANNUAL COMPREHENSIVE FINANCIAL REPORT

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

FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

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.

www.mawss.com

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

**ANNUAL
COMPREHENSIVE
FINANCIAL
REPORT**

**FOR THE YEARS ENDED
DECEMBER 31, 2022 and 2021**

**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, 2022 AND 2021**

TABLE OF CONTENTS

INTRODUCTORY SECTION

Transmittal Letter	i
GFOA Certificate of Achievement	vi
List of Appointed Commissioners	vii
Organization Chart	viii
List of Selected Administrative Staff	ix

FINANCIAL SECTION

Independent Auditor's Report	1 - 4
Management's Discussion and Analysis (MD&A)	5 - 13
Basic Financial Statements	
Statements of Net Position	14 - 15
Statements of Revenues, Expenses, and Changes in Net Position	16
Statements of Cash Flows	17 - 18
Statements of Fiduciary Net Position – MAWSS OPEB Trust Fund	19
Statements of Changes in Fiduciary Net Position – MAWSS OPEB Trust Fund	20
Notes to the financial Statements	21 - 61
Required Supplementary Information	
Schedule of Changes in Net Pension Liability	62
Schedule of Employer Contributions	63
Schedule of Changes in the Board's Net OPEB Liability and Related Ratios	64
Schedule of Board Contributions	65

Supplementary Information	
Schedule of Bond Restricted Accounts	66
Schedule of Revenue Funds Accounts Transactions	67
Schedules of Comparison of Receipts and Disbursements to Budget – Revenue Fund Accounts	68
Schedules of Operating Expenses – Revenue Fund Accounts	69 - 70
Schedules of Changes in Net Position	71 - 72
STATISTICAL SECTION	73
Financial Trends	
Schedules of Changes in Net Position	74
Net Position by Component	75
Revenue Capacity	
Revenue by Type	76
Water and Sewer Billings by Meter Size	77
Water and Sewer Rates	78
Schedules of Operating Revenues – Industrial Water Accounts	79
Schedule of Ten Largest Users	80
Debt Capacity	
Schedule of Future Debt Payments	81 - 82
Ratio of Annual Net Revenues to Debt Service	83
Outstanding Debt by Type and Debt per Customer	84
Demographic and Economic Information	
Miscellaneous Statistical Data	85
Mobile County Demographic Statistics	86
Single-Family Residences	87
Mobile County Top Ten Employers	88
Operating Information	
Water Supply Characteristics	89
Water Flow to System	90
Annual Water Flows to System	91
Wastewater Treatment Facility (WWTF) Volumes	92
Decentralized WWTF Flows	93
C.C. Williams WWTF Statistics	94
Wright Smith WWTF Statistics	95
Total Number of Customers	96
Total Number of Employees	97
Capital Project Expenditures	98 - 99

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 <i>Government Auditing Standards</i>	100 - 101
Independent Auditor's Report on Compliance for Each Major Federal Program, Report on Internal Control over Compliance, and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	102 - 104
Schedule of Expenditures of Federal Awards	105
Notes to Schedule of Expenditures of Federal Awards	106
Schedule of Findings and Questioned Costs	107 - 108
Summary Schedule of Prior Audit Findings	109

INTRODUCTORY SECTION



May 1, 2023

Mr. Tommy Zoghby , 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, 2022. 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.

Smith Dukes & Buckalew LLP, 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, 2022. 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 2022, the City of Mobile's unemployment rate was at 2.7% compared to the Alabama's 2.6% and the nation's 3.5%. Mobile is a regional hub for technical training. Industries are working with Alabama Industrial Development Training (AIDT), Alabama's worker training agency, to train workers in these expanding job fields. AIDT is the first state workforce training organization in the United States to earn international certification for its quality management system.



Financial planning

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

MAWSS utilizes a financial planning model to optimize the balance between necessary rate increases and additional borrowing. Also taken into consideration are financial benchmarks such as days cash on hand and the debt service coverage ratio. The intent is to ensure the sustainability of the funding for capital projects, 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 to construct major electrical renovations throughout the plant is underway. 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, in 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 facilities include The Norton's Lane SWAT Facility and the Eslava Creek Trunk Express Sewer, both of which will be bid 2023.

Other Wastewater related projects underway include, C.C. Williams Wastewater Treatment Plant Dewatering Facility, Eslava Creek Force Main Replacement Phase 1, Crenshaw St. Lift Station and Force Main upgrades, and Magnolia Grove Lift Station and Force Main.

Major initiatives

The Board closed on a \$41,015,000 CWSRF loan in February of 2022. These funds are currently being used in-part for the C.C. Williams Wastewater Treatment Plant Dewatering Facility and Eslava Creek Force Main Replacement Phase 1. 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 2022, The Board submitted supplemental loan applications to ADEM for both a CWSRF loan of \$41,015,000 and a DWSRF loan of \$15,365,000. 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 1.5, 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 2022 was \$1,400,000.

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 85%.

Awards and acknowledgments

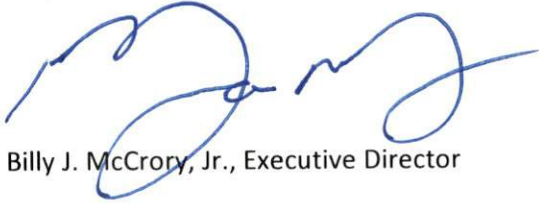
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Board of Water and Sewer Commissioners of the City of Mobile for its annual comprehensive financial report for the fiscal year ended December 31, 2021. This was the twenty first 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 blue ink, appearing to read "Billy J. McCrory, Jr.", is written over the typed name.

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, 2021

Christopher P. Morill

Executive Director/CEO

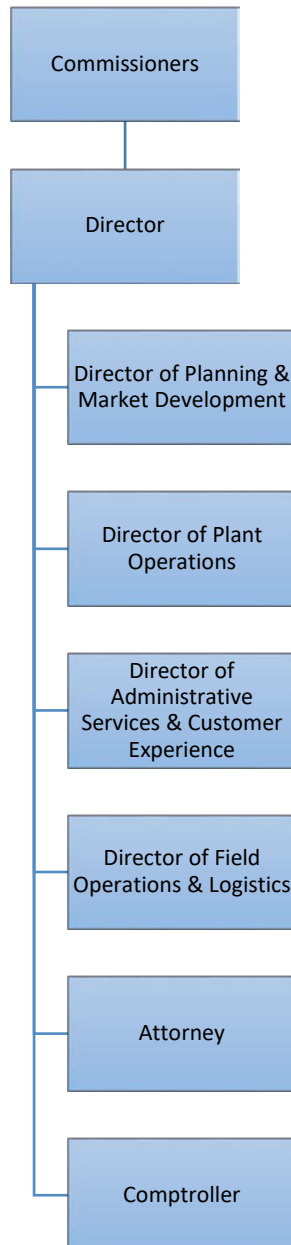
**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

**APPOINTED COMMISSIONERS
DECEMBER 31, 2022**

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

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

**ORGANIZATION CHART
December 31, 2022**



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

**LIST OF SELECTED ADMINISTRATIVE STAFF
DECEMBER 31, 2022**

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

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

Report on the Audit of the Financial Statements

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 year ended December 31, 2022, 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, 2022, 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 (GAAS) 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 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

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

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

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 GAAS 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 GAAS 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.

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

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 13 and the schedule of changes in the net pension liability, the schedule of employer contributions, the schedule of changes in the Board's net OPEB liability and related ratios, and the schedule of Board contributions on pages 62 through 65 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.

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

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 opinion on the financial statements does 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 27, 2023 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.

Prior Period Financial Statements

The financial statements of the Board of Water and Sewer Commissioners of the City of Mobile as of and for the year ended December 31, 2021, were audited by other auditors whose report dated April 28, 2022 expressed an unmodified opinion on those statements.

Smith, Duke and Huchalew, LLP

Mobile, Alabama
April 27, 2023

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, 2022. Please read it in conjunction with the transmittal letter, beginning on page i, and the Board's financial statements which begin on page 14.

Financial Highlights

The following are financial highlights of the Board for the year ending December 31, 2022:

- The assets and deferred outflows of resources of the Board exceeded its liabilities and deferred inflows of resources at the close of 2022 and 2021 by \$488.9 million (net position) and \$451.1 million (net position), respectively. Of these amounts, unrestricted net position was \$35.9 million and \$13.1 million as of December 31, 2022 and 2021, 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 2022, the OPEB liability was underfunded by \$2.6 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 \$7.7 million over the past seven years to offset this liability, and will continue to fund it in the 2023 Budget. The amount of the unfunded liability at the end of 2022 was \$28.1 million.
- The Board's net position increased by \$37.9 million during the current year and by \$21.5 million during the prior year.
- There was a decrease of \$4.3 million in operating costs for 2022, or 5%. There were slight increases in both water and wastewater treatment costs, a decrease of \$3.3 million in supervision and general expenses and there was also a decrease in depreciation expense of \$.75 million. In 2021, 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.
- 2022 saw an increase of \$7.4 million, or 6.5%, in operating revenues. This was the result of a 5% increase in consumption coupled with 3% rate increase. Operating revenues in 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.

- Transfers to the Capital Improvement Fund accounts for capital projects totaled \$32.2 million in 2022 compared to \$30.7 million in 2021.

Overview of the Financial Statements

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

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

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

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 21 to 60 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 \$488.9 million at the end of 2022, \$451.1 million at the end of 2021, and \$429.5 million at the end of 2020.

Condensed Balance Sheets (In Thousands)

	2022	2021	2020
	<u> </u>	<u> </u>	<u> </u>
Current assets	\$ 110,327	\$ 82,251	\$ 94,371
Noncurrent assets	104,586	86,807	48,199
Capital assets	<u>687,988</u>	<u>654,694</u>	<u>630,065</u>
Total assets	<u>902,901</u>	<u>823,752</u>	<u>772,635</u>
Deferred outflows of resources	<u>6,604</u>	<u>7,829</u>	<u>5,090</u>
Current liabilities	48,005	41,184	43,052
Noncurrent liabilities	<u>363,207</u>	<u>331,989</u>	<u>295,781</u>
Total liabilities	<u>411,212</u>	<u>373,173</u>	<u>338,833</u>
Deferred inflows of resources	<u>9,328</u>	<u>7,352</u>	<u>9,337</u>
Net position:			
Net investment in capital assets	423,876	412,390	395,009
Restricted	29,103	25,571	25,274
Unrestricted	<u>35,986</u>	<u>13,095</u>	<u>9,272</u>
Total net position	<u>\$ 488,965</u>	<u>\$ 451,056</u>	<u>\$ 429,555</u>

The largest portion of the Board's net position (86.7% in 2022, 91.4% in 2021, and 92.0% in 2020) 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 \$25.7 million annually for pay-as-you-go projects and major repairs and replacements to the system. The Board transferred \$32.2 million from the Operating account to the Capital Improvement Fund account in 2022 compared to \$30.7 million in 2021 and \$39.1 million in 2020.

The Board's Unrestricted Net Position increased by \$22.9 million during 2022 compared to an increase of \$3.8 million in 2021. The 2022 increase in consumption and a rate increase were both factors 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)

	2022	2021	2020
REVENUES			
Operating revenues, pledged as security:			
Water sales	\$ 48,138	\$ 44,634	\$ 44,575
Sewer charges	74,257	70,328	70,034
Total operating revenues	<u>122,394</u>	<u>114,962</u>	<u>114,609</u>
Non-operating revenues:			
Investment earnings	93	(51)	505
Miscellaneous and sale of property	<u>5,372</u>	<u>1,860</u>	<u>1,015</u>
Total non-operating revenues	<u>5,465</u>	<u>1,809</u>	<u>1,520</u>
Total revenues	127,860	116,771	116,129
EXPENSES			
Operating expenses:			
Water and sewer services	36,303	35,973	36,321
Support services	4,450	4,432	4,745
Supervision and general expenses	16,055	19,373	17,470
Restricted accounts expenses	1,399	2,057	721
Depreciation expense	<u>23,812</u>	<u>24,568</u>	<u>23,852</u>
Total operating expenses	82,018	86,403	83,109
Non-operating expenses	<u>8,756</u>	<u>10,709</u>	<u>8,996</u>
Total expenses	<u>90,774</u>	<u>97,112</u>	<u>92,105</u>
Income before contributions	37,086	19,659	24,024
Capital grants and contributions	<u>823</u>	<u>1,842</u>	<u>5,324</u>
Change in net position	37,909	21,501	29,348
Net position - beginning of year	451,056	429,555	400,207
Net position - end of year	<u>\$ 488,965</u>	<u>\$ 451,056</u>	<u>\$ 429,555</u>

Net position increased by \$37.9 million in 2022, \$21.5 million in 2021, and \$29.3 million in 2020. Key elements of the changes are as follows:

Revenue:

- For 2022, operating revenues increased from \$114.9 million to \$122.4 million, an increase of \$7.4 million, or 6.5%. Volumetric potable water sales were up 5% and the increase in rate fees caused revenues to increase in 2022.
- 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.

Expenses:

- Operating expenses decreased by \$4.4 million, or 5.1% in 2022. There were slight increases in both water and wastewater treatment costs, a decrease of \$3.3 million in supervision and general expenses and there was also a decrease in depreciation expense of \$.75 million.
- 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.

Capital grants and contributions:

- In 2022, total capital grants and contributions totaled \$.8 million, which consisted of \$.8 million in lines accepted.
- In 2021, total capital grants and contributions totaled \$1.8 million, including \$1.5 million in lines accepted and \$.3 million in contributions.

Capital Asset and Debt Administration

Capital assets. The Board's investment in capital assets as of December 31, 2022, and 2021 amounted to \$687.9 million and \$654.7 million, respectively, net of accumulated depreciation. The investment in capital assets includes land, buildings, infrastructure, machinery and equipment, and timber rights. During 2022, the total increase in the Board's net investment in capital assets was 5.1% compared to the 2021 increase of 3.9%. Construction project commitments at the end of the year totaled \$48.0 million for 2022 compared to \$42.0 million for 2021.

Several large projects identified by the master plan were bid and awarded also in 2022; notably the Stickney WTP Building Replacements and Electrical Upgrade in the amount of \$15.2 million, and the Eslava Creek Force Main Replacement, Phase 1 in the amount of \$13.6 million. Phase 1 is the latest phase of the Eslava Creek Force Main project which had a total cost of \$59 million. A listing of capital project expenditures for 2022 is included in the statistical section.

- Sewer rehabilitation projects accounted for the majority of capital expenditures. A total of \$37,095,908 was spent in 2022 and allocated as follows:
 - Sewer line, mains, and manhole rehabilitation/replacement, \$22,605,507
 - Sewer lift station and decentralization system improvements, \$2,866,908
 - Sewer plant improvements and miscellaneous costs, \$10,396,508
 - Severe Weather Attenuation Basins and Tanks, \$1,226,985

- Water-related project costs for 2022 totaled \$11,373,020. The following items are included in these costs:
 - Water line extensions and improvements, \$11,135,384
 - Other miscellaneous, \$237,636

- Other capital expenditures amounted to \$4,004,034 during 2022 and include the following:
 - Water and sewer combined extensions, \$2,543,060
 - Utility Relocations, and other miscellaneous, 1,460,974

- Major projects completed and capitalized during 2022 include the following:
 - Halls Mill Trunk Sewer Extension, \$4,439,264
 - Big Creek Lake Dam Hoist and Gate Automation, \$3,838,476
 - Three Mile Creek Severe Weather Attenuation Tank No.1 Rehab, \$2,432,296
 - Dog River Lift Station Relocation, \$1,227,088

During 2021, major capital assets events included: sewer rehabilitation projects in the amount of \$35,818,308; water-related project costs totaling \$6,202,446 and other capital expenditure amounts of \$2,820,319.

Capital Assets
(net of accumulated depreciation)

	2022	2021	2020
Water and sewer systems	\$ 497,379,980	\$ 491,143,530	\$ 471,902,614
Vehicles	2,208,366	2,412,702	3,539,933
Equipment and furnishings	6,063,304	6,775,055	7,251,433
Buildings and improvements	19,185,887	19,604,927	20,234,125
Land	11,910,691	11,784,949	10,419,343
Timber rights and other intangibles	1,319,119	1,195,133	1,436,355
Construction in progress	149,921,096	121,777,876	115,281,461
Total	<u>\$ 687,988,443</u>	<u>\$ 654,694,172</u>	<u>\$ 630,065,264</u>

Additional information on the Board's capital assets can be found in Note 3, beginning on page 32 of this report.

Long-term debt

At December 31, 2022, the Board had total long-term debt outstanding of \$348.4 million versus \$307.7 million in 2021, an increase of 13.2%. This increase is due to the addition of a \$41,015,000 CWSRF loan and \$15,365,000 DWSRF loan less combined reductions of \$16.7 million. The State Revolving fund bonds are subordinate to the Revenue Bonds. All bond debt covenants have been met.

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.

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 55 of this report.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate at December 31, 2022: The City of Mobile at 2.7%, compared to the State of Alabama and the nation at 2.6% and 3.5%, respectively
- Identified capital project needs and anticipated repairs and maintenance to the system
- Estimated customer growth/new development; business additions and/or closures
- MAWSS' rates compared to similar systems' rates
- Weather trends
- Customer usage patterns; impact of an approved rate increase on consumption

The Board had approved a 7.5% volumetric rate increase for 2023. This increase went into effect January 1, 2023.

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**

**STATEMENTS OF NET POSITION
As of December 31, 2022 and 2021**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2022	2021
CURRENT ASSETS		
Cash and equivalents	\$ 72,926,529	\$ 49,640,642
Investments	887,401	885,983
Restricted cash and cash equivalents:		
Revenue bond covenant accounts	16,798,112	14,670,152
Receivables:		
Interest receivable, unrestricted	441	31
Interest receivable, restricted	61,466	57,998
Billed user charges, net of allowance of \$240,578 and \$3,606,869	9,866,153	8,392,120
Unbilled user charges	4,524,316	4,248,489
Contracts receivable, net of allowance of \$104,137 and \$106,867	-	1,380
Miscellaneous	140,289	180,920
Inventory of materials, chemicals and supplies - at cost	3,776,903	3,125,605
Prepaid expenses	1,345,506	1,047,509
Total current assets	<u>110,327,116</u>	<u>82,250,829</u>
NONCURRENT ASSETS		
Restricted cash and cash equivalents:		
Capital improvement funds	14,951,250	14,954,717
Investments	254,911	428,277
Receivable - Alabama Dept of Environmental Mgmt (ADEM), restricted	82,706,026	63,645,931
Grant proceeds receivable, restricted	3,492,198	3,492,198
Net other postemployment benefits	-	872,846
Capital assets:		
Utility plant and equipment	1,024,825,832	1,000,363,061
Less accumulated depreciation	<u>498,669,175</u>	<u>479,231,714</u>
	526,156,657	521,131,347
Land	11,910,691	11,784,949
Construction in progress	<u>149,921,095</u>	<u>121,777,876</u>
Total capital assets (net of accumulated depreciation)	<u>687,988,443</u>	<u>654,694,172</u>
Unamortized regulatory asset	3,181,052	3,413,600
Total noncurrent assets	<u>792,573,880</u>	<u>741,501,741</u>
TOTAL ASSETS	902,900,996	823,752,570
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow, bond refunding	1,663,364	1,823,225
Pension related	<u>4,940,408</u>	<u>6,005,685</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>6,603,772</u>	<u>7,828,910</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 909,504,768</u>	<u>\$ 831,581,480</u>

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

STATEMENTS OF NET POSITION - CONTINUED

LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND NET POSITION

	2022	2021
CURRENT LIABILITIES		
Accounts payable	\$ 12,171,103	\$ 5,720,033
Accrued payroll and related withholdings	950,755	901,355
Compensated absences - current portion	3,153,067	3,359,172
Customer meter deposits	6,413,500	6,030,368
Contingent insurance liability	2,460,612	2,809,691
Contracts and retainages payable	2,093,606	1,508,380
Interest payable, funded by restricted assets	2,707,710	4,112,360
Current maturities of revenue bonds payable	18,055,000	16,742,353
Total current liabilities	48,005,353	41,183,712
NONCURRENT LIABILITIES		
Revenue bonds payable	330,426,478	291,031,071
Compensated absences - long-term portion	2,031,233	2,328,169
Net pension liability	28,150,430	38,630,154
Net other postemployment benefits	2,598,508	-
Total noncurrent liabilities	363,206,649	331,989,394
TOTAL LIABILITIES	411,212,002	373,173,106
DEFERRED INFLOWS OF RESOURCES		
Pension related	8,211,997	329,164
Other postemployment benefit related	1,115,714	7,022,723
Total deferred inflows of resources	9,327,711	7,351,887
NET POSITION		
Net investment in capital assets	423,876,355	412,389,904
Restricted for		
Debt service	14,103,118	10,570,507
Other bond covenants	15,000,000	15,000,000
Unrestricted	35,985,582	13,096,076
TOTAL NET POSITION	488,965,055	451,056,487
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 909,504,768	\$ 831,581,480

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

**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, 2022 AND 2021**

OPERATING REVENUES PLEDGED AS SECURITY	2022	2021
FOR REVENUE BONDS		
Water sales	\$ 48,137,576	\$ 44,633,937
Sewer charges	74,256,910	70,328,138
Total operating revenues	<u>122,394,486</u>	<u>114,962,075</u>
OPERATING EXPENSES		
Water supply	2,729,655	2,283,823
Water treatment	7,893,841	6,171,376
Wastewater treatment	7,452,375	7,282,974
Transmission and collection	18,227,053	20,235,260
Support services	4,449,602	4,431,794
Supervision and general	16,054,827	19,373,109
Capital improvement fund accounts	1,398,976	2,056,837
Depreciation	23,811,845	24,568,410
Total operating expenses	<u>82,018,174</u>	<u>86,403,583</u>
OPERATING INCOME	<u>40,376,312</u>	<u>28,558,492</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment earnings	93,381	(51,027)
Miscellaneous rentals and sale of property	5,287,620	1,860,463
Gain (loss) on disposal of assets	84,412	(1,277,690)
Bond interest and amortization expense	(8,327,686)	(9,411,102)
Bond issuance costs	(428,448)	(20,000)
Total non-operating expenses	<u>(3,290,721)</u>	<u>(8,899,356)</u>
INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	37,085,591	19,659,136
CAPITAL GRANTS AND CONTRIBUTIONS	<u>822,977</u>	<u>1,842,011</u>
CHANGE IN NET POSITION	37,908,568	21,501,147
TOTAL NET POSITION - BEGINNING OF YEAR	<u>451,056,487</u>	<u>429,555,340</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 488,965,055</u>	<u>\$ 451,056,487</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, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES		
Receipts from customers and users	\$ 121,069,878	\$ 115,942,673
Receipts from other sources	5,287,620	1,860,463
Payment to suppliers	(37,654,459)	(42,411,944)
Payments to employees	(19,820,382)	(22,284,970)
Net cash from operating activities	<u>68,882,657</u>	<u>53,106,222</u>
CASH FLOWS FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets and payments on construction projects	(56,520,097)	(47,355,307)
Proceeds from bonds	140,359,905	25,374,249
Principal paid on bonds	(119,140,394)	(17,990,232)
Interest paid on bonds	(8,097,534)	(9,327,075)
Bond issuance costs	(428,448)	(20,000)
Proceeds from sale of capital assets	186,220	702,998
Net cash provided (used) for capital and related financing activities	<u>(43,640,348)</u>	<u>(48,615,367)</u>
CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	423,993	2,806,994
Purchases of investments	(252,045)	(14,503)
Interest and dividends received	(3,877)	23,837
Net cash used in financing activities	<u>168,071</u>	<u>2,816,328</u>
 Net increase in cash and equivalents	 25,410,380	 7,307,183
 Cash and equivalents, beginning of year - restricted and unrestricted	 <u>79,265,511</u>	 <u>71,958,328</u>
 Cash and equivalents, end of year - restricted and unrestricted	 <u>\$ 104,675,891</u>	 <u>\$ 79,265,511</u>
RECONCILIATION OF CASH AND EQUIVALENTS PER STATEMENTS OF CASH FLOWS TO BALANCE SHEETS:		
Cash and equivalents, beginning of year:		
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>
Net increase (decrease):		
Current	23,285,887	6,800,672
Restricted	2,124,493	506,511
Total	<u>25,410,380</u>	<u>7,307,183</u>
Cash and equivalents, end of period:		
Current	72,926,529	49,640,642
Restricted	31,749,362	29,624,869
Total	<u>\$ 104,675,891</u>	<u>\$ 79,265,511</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, 2022 AND 2021**

RECONCILIATION OF OPERATING INCOME TO NET CASH

PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 40,376,312	\$ 28,558,492
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	23,811,845	24,568,410
Bad debts	937,784	2,071,580
Miscellaneous income (expense)	5,287,620	136,619
(Increase) decrease in receivables	(2,263,880)	888,070
(Increase) decrease in contracts receivable	1,488	1,636
(Increase) decrease in inventories	(651,597)	(218,166)
(Increase) decrease in prepaid expenses	(297,997)	(262,589)
Increase (decrease) in payables	6,500,471	(1,297,560)
Increase (decrease) in compensated absences	(503,041)	(48,901)
Increase (decrease) in contingent insurance liability	(349,079)	96,568
Increase (decrease) in other postemployment benefits	(2,435,655)	(3,361,494)
Increase (decrease) in pension liabilities	(1,531,614)	1,973,557
Total adjustments	<u>28,506,345</u>	<u>24,547,730</u>
Net cash provided by operating activities	<u>\$ 68,882,657</u>	<u>\$ 53,106,222</u>

NONCASH INVESTING, CAPITAL,
AND FINANCING ACTIVITIES:

Lines accepted and contributions for extensions	\$ 822,977	\$ 1,842,011
Approved but unadvanced bonds	\$ 56,358,000	\$ 47,348,911

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, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 360,039	\$ 843,234
Receivables		
Contributions receivable	358,977	315,356
Accrued income	48,122	42,332
Total receivables	<u>407,099</u>	<u>357,688</u>
Investments at fair value		
Equities		
Common Stock	5,806,839	6,995,231
Mutual Funds - equity	1,077,543	2,712,347
Fixed income securities		
U.S. Government obligations	1,608,319	1,514,449
Mortgage backed securities	1,765,077	1,578,744
Corporate bonds	3,052,804	3,643,019
International		
Foreign stock	538,394	628,023
Mutual Funds - International	460,400	652,412
Total investments	<u>14,309,376</u>	<u>17,724,225</u>
TOTAL ASSETS	<u><u>\$ 15,076,514</u></u>	<u><u>\$ 18,925,147</u></u>
NET POSITION		
Net position restricted for OPEB	<u><u>\$ 15,076,514</u></u>	<u><u>\$ 18,925,147</u></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, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ADDITIONS		
Employer contributions	\$ 678,977	\$ 983,807
Investment income		
Dividends	143,844	134,723
Interest	178,608	167,194
Realized gain	198,095	1,042,031
Net appreciation (depreciation) in FV of investments	(3,391,405)	573,557
Investment expense	(63,404)	(68,323)
Capital gain distributions	63,314	232,654
Other (loss) gain	1,251	4,203
Net investment income	<u>(2,869,697)</u>	<u>2,086,039</u>
Total additions	<u>(2,190,720)</u>	<u>3,069,846</u>
DEDUCTIONS		
OPEB benefits paid	1,518,533	1,717,044
Insurance expenses	139,380	120,337
Total deductions	<u>1,657,913</u>	<u>1,837,381</u>
NET INCREASE IN NET POSITION	<u>\$ (3,848,633)</u>	<u>\$ 1,232,465</u>
NET POSITION RESTRICTED FOR OPEB BEGINNING OF YEAR	<u>\$ 18,925,147</u>	<u>\$ 17,692,682</u>
NET POSITION RESTRICTED FOR OPEB END OF YEAR	<u>\$ 15,076,514</u>	<u>\$ 18,925,147</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, 2022 AND 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

Related Organization

The City Council members of the City of Mobile, Alabama are responsible for appointing the seven (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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Future Adoption of New Accounting Pronouncements - GASB Pronouncements that have been issued but are not yet effective at December 31, 2022

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. This Statement is effective for reporting periods beginning after June 15, 2022. The Board is currently evaluating the impact, if any, that GASB 96 will have on its financial statements.

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement is effective for fiscal years beginning after December 15, 2023. The Board is currently evaluating the impact, if any, that GASB 101 will have on its financial statements.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Future Adoption of New Accounting Pronouncements - GASB Pronouncements that have been issued but are not yet effective at December 31, 2022 (continued)

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 \$240,578 and \$3,606,869 as of December 31, 2022 and 2021, 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, 2022 AND 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets (continued)

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.

The following is a schedule of restricted assets and liabilities at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and equivalents	\$ 16,798,112	\$ 14,670,152
Interest receivable	61,466	57,998
Total current assets	<u>16,859,578</u>	<u>14,728,150</u>
Noncurrent assets		
Cash and equivalents	14,951,250	14,954,717
Total noncurrent assets	<u>14,951,250</u>	<u>14,954,717</u>
Total restricted assets	<u><u>31,810,828</u></u>	<u><u>29,682,867</u></u>
Liabilities		
Current liabilities		
Interest payable	<u>2,707,710</u>	4,112,360
Total restricted liabilities	<u>2,707,710</u>	4,112,360
Net position		
Debt service	14,103,118	10,570,507
Other bond covenants	<u>15,000,000</u>	<u>15,000,000</u>
Total restricted net position	<u>29,103,118</u>	<u>25,570,507</u>
Total restricted liabilities and net position	<u><u>\$ 31,810,828</u></u>	<u><u>\$ 29,682,867</u></u>

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 – Summary of Significant Accounting Policies (continued)

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:

Municipal water and sewer	50 years
Municipal wastewater treatment plants	24 years
Machinery and equipment	5 years
Vehicles and light trucks	5 years
Heavy general purpose trucks	6 years
Office furniture and equipment	7 years
Computer equipment	5 years
Data handling equipment, except computers	6 years
Administrative buildings	50 years

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

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

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 – Summary of Significant Accounting Policies (continued)

Deferred Outflows and Inflows of Resources

The balance sheet reports deferred outflows of resources separately from assets. Deferred outflows of resources represent consumptions of net position that apply to 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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 - Summary of Significant Accounting Policies (continued)

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.

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 \$6,413,500 and \$6,030,368 of its investments and unrestricted cash as of December 31, 2022 and 2021 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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 - Summary of Significant Accounting Policies (continued)

Recognition of Revenue (continued)

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.

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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 - Summary of Significant Accounting Policies (continued)

Pension Plan (continued)

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 Annual Comprehensive Financial Report.

Reclassifications

For comparability, certain 2021 amounts may have been reclassified, where necessary, to conform with current year presentation with no effect on the increase in net position.

NOTE 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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 - Deposits and Investments (continued)

Each of the banks holding the Board's deposits is a certified participant in the SAFE program through a collateral pool administered by the Alabama State Treasurer. The Board's policy allows the purchase of certificates of deposit from a bank that has a combined capital, surplus and undivided profits of not less than \$3 million and whose deposits are fully insured or collateralized under the SAFE Program.

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

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

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

Level 1 - Inputs based on quoted prices for identical assets

Level 2 - Inputs are significant other observable inputs

Level 3 - Inputs are significant unobservable inputs

The fair value measurements of the Board's investments at December 31, 2022 and 2021 are as follows:

2022	Level 1	Total
U.S. Government Agencies	\$ 254,911	\$ 254,911
Certificates of Deposit	887,401	887,401
Total	\$ 1,142,312	\$ 1,142,312
2021	Level 1	Total
U.S. Government Agencies	\$ 428,277	\$ 428,277
Certificates of Deposit	885,983	885,983
Total	\$ 1,314,260	\$ 1,314,260

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 - Deposits and Investments (continued)

The fair value measurements of investments held by the Board's OPEB Trust at December 31, 2022 and 2021 are as follows:

2022	Level 1	Level 2	Total
Common Stock	\$ 5,806,839	\$ -	\$ 5,806,839
Mutual Funds - Equity	1,077,543	-	1,077,543
U.S. Government Obligations	1,608,319	-	1,608,319
Mortgage Backed Securities	-	1,765,077	1,765,077
Corporate Bonds	-	3,052,804	3,052,804
Foreign Stock	538,394	-	538,394
Mutual Funds - International	460,400	-	460,400
Total	<u>\$ 9,491,495</u>	<u>\$ 4,817,881</u>	<u>\$14,309,376</u>

2021	Level 1	Level 2	Total
Common Stock	\$ 6,995,231	-	\$ 6,995,231
Mutual Funds - Equity	2,712,347	-	2,712,347
U.S. Government Obligations	1,514,449	-	1,514,449
Mortgage Backed Securities	-	1,578,744	1,578,744
Corporate Bonds	-	3,643,019	3,643,019
Foreign Stock	628,023	-	628,023
Mutual Funds - International	652,412	-	652,412
Total	<u>\$ 12,502,462</u>	<u>\$ 5,221,763</u>	<u>\$17,724,225</u>

NOTE 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
OF THE CITY OF MOBILE, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 3 - Capital Assets and Accumulated Depreciation (continued)

Capital asset activity for the years ended December 31, 2022 and 2021 is as follows:

<u>Capital Assets</u>	<u>1/1/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2022</u>
Capital assets not being depreciated				
Land	\$ 11,784,949	\$ 125,742	\$ -	\$ 11,910,691
Construction in progress	<u>121,777,877</u>	<u>52,569,334</u>	<u>24,426,115</u>	<u>149,921,095</u>
Total assets not being depreciated	<u>133,562,826</u>	<u>52,695,076</u>	<u>24,426,115</u>	<u>161,831,786</u>
Capital assets being depreciated				
Buildings and improvements	30,162,577	342,372	-	30,504,949
Equipment and furniture	37,731,865	1,350,914	2,532,520	36,550,259
Vehicles	13,399,425	779,388	1,744,821	12,433,992
Water and sewer systems	914,015,738	25,906,668	119,997	939,802,409
Timber rights and other intangibles	<u>5,053,455</u>	<u>480,768</u>	<u>-</u>	<u>5,534,223</u>
Total capital assets being depreciated	<u>1,000,363,060</u>	<u>28,860,110</u>	<u>4,397,338</u>	<u>1,024,825,832</u>
Less accumulated depreciation				
Buildings and improvements	10,557,651	761,413	-	11,319,064
Equipments and furniture	30,956,811	2,039,366	2,509,222	30,486,955
Vehicles	10,986,723	983,724	1,744,821	10,225,626
Water and sewer systems	422,872,208	19,670,216	119,997	442,422,427
Timber rights and other intangibles	<u>3,858,321</u>	<u>356,782</u>	<u>-</u>	<u>4,215,103</u>
Total accumulated depreciation	<u>479,231,714</u>	<u>23,811,501</u>	<u>4,374,040</u>	<u>498,669,175</u>
Total capital assets being depreciated, net	<u>521,131,346</u>	<u>5,048,609</u>	<u>23,298</u>	<u>526,156,657</u>
Capital assets, net	<u>\$ 654,694,172</u>	<u>\$ 57,743,684</u>	<u>\$ 24,449,413</u>	<u>\$ 687,988,443</u>

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 3 - Capital Assets and Accumulated Depreciation (continued)

<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	38,800,510	121,777,877
	<u>125,700,804</u>	<u>46,697,532</u>	<u>38,835,510</u>	<u>133,562,826</u>
Total assets not being depreciated				
	<u>125,700,804</u>	<u>46,697,532</u>	<u>38,835,510</u>	<u>133,562,826</u>
Capital assets being depreciated				
Buildings and improvements	30,032,649	129,928	-	30,162,577
Equipment and furniture	37,998,296	1,608,160	1,874,591	37,731,865
Vehicles	14,098,999	298,717	998,291	13,399,425
Water and sewer systems	876,034,958	40,550,053	2,569,273	914,015,738
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>5,810,105</u>	<u>1,000,363,060</u>
Total capital assets being depreciated				
	<u>963,087,313</u>	<u>43,085,852</u>	<u>5,810,105</u>	<u>1,000,363,060</u>
Less accumulated depreciation				
Buildings and improvements	9,798,524	759,127	-	10,557,651
Equipments and furniture	30,746,863	2,084,539	1,874,591	30,956,811
Vehicles	10,559,066	1,425,948	998,291	10,986,723
Water and sewer systems	404,132,344	19,926,529	1,186,665	422,872,208
Timber rights and other intangibles	3,486,056	372,265	-	3,858,321
	<u>458,722,853</u>	<u>24,568,408</u>	<u>4,059,547</u>	<u>479,231,714</u>
Total accumulated depreciation				
	<u>458,722,853</u>	<u>24,568,408</u>	<u>4,059,547</u>	<u>479,231,714</u>
Total capital assets being depreciated, net	504,364,460	18,517,444	1,750,558	521,131,346
	<u>504,364,460</u>	<u>18,517,444</u>	<u>1,750,558</u>	<u>521,131,346</u>
Capital assets, net	\$ 630,065,264	\$ 65,214,976	\$ 40,586,068	\$ 654,694,172
	<u>\$ 630,065,264</u>	<u>\$ 65,214,976</u>	<u>\$ 40,586,068</u>	<u>\$ 654,694,172</u>

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 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, 2022 and 2021 were as follows (in thousands):

	<u>1/1/2022</u>	<u>Additions</u>	<u>Amortization</u>	<u>12/31/2022</u>
Deferred outflows of resources:				
Deferred charge on bond refunding	\$ 1,824	\$ -	\$ (160)	1,664

	<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

NOTE 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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 - Pension Plan (continued)

General Information about the Pension Plan (continued)

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.

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 formula method. 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 up to 80% of their average final compensation. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 - Pension Plan (continued)

General Information about the Pension Plan (continued)

Members are eligible for disability retirement if they have 10 years of creditable 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.

Act 316 of the Legislature of 2019 allows employees at the time of retirement to receive a partial lump sum (PLOP) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of partial lump sum distribution selected.

The ERS serves approximately 879 local participating employers. The ERS membership includes approximately 104,000 participants. As of September 30, 2021, membership consisted of:

	ERS	Board
Retirees and beneficiaries currently receiving benefits	29,727	264
Terminated employees entitled to but not yet receiving benefits	2,130	8
Terminated employees not entitled to a benefit	16,415	41
Active members	56,184	333
Post-DROP participants still in active service	54	-
Total	<u>104,510</u>	<u>646</u>

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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 - Pension Plan (continued)

General Information about the Pension Plan (continued)

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, 2022 and 2021, the Board's active employee contribution rate was 7.02% and 7.06% of covered employee payroll, and the Board's average contribution rate to fund the normal and accrued liability costs was 11.05% and 10.96%, respectively, of covered employee payroll.

The Board's contractually required contribution rate for the year ended September 30, 2022, was 11.27% of pensionable pay for Tier 1 employees, and 11.08% of pensionable pay for Tier 2 employees.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 - Pension Plan (continued)

General Information about the Pension Plan (continued)

These required contribution rates are based upon the actuarial valuation as of September 30, 2019, 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 \$2,082,537 and \$2,122,316 for the years ended December 31, 2022 and 2021, respectively.

Net Pension Liability

The Board's net pension liability study was measured using the measurement dates of September 30, 2021 and 2020. The Board has considered additional liability and contributions through December 31, 2022 and 2021, respectively. The Board has adjusted the net pension liability per valuation made as of the measurement dates of the September 30, 2021 and 2020 valuation to include additional liabilities and contributions made through the Board's fiscal years ending December 31, 2022 and 2021, respectively.

	<u>2022</u>	<u>2021</u>
Net pension liability per study	\$ 28,512,731	\$ 37,508,064
Roll-forward amounts:		
Additional liabilities	1,723,333	3,819,480
Employer contributions	<u>(2,085,634)</u>	<u>(2,697,390)</u>
	<u>\$ 28,150,430</u>	<u>\$ 38,630,154</u>

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 - Pension Plan (continued)

Net Pension Liability (continued)

The total pension liability used to calculate net pension liability was determined by an actuarial valuation as of September 30, 2020, rolled forward to September 30, 2021 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
(a) TPL as of September 30, 2020	\$ 112,559,677	\$ 113,456,175
(b) Discount rate	7.70%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2020 - September 30, 2021	1,619,186	1,763,209
(d) Transfers Among Employers:	-	84,016
(e) Actual Benefit Payments and Refunds for the period October 1, 2020 - September 30, 2021	<u>(7,612,703)</u>	<u>(7,612,703)</u>
(f) TPL as of September 30, 2020 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	<u><u>114,940,166</u></u>	<u><u>115,859,609</u></u>
(g) Difference between Expected and Actual:		\$ 919,443
(h) Less Liability Transferred for Immediate Recognition:		<u>84,016</u>
(i) Experience (Gain)/Loss = (g) - (h)		<u><u>\$ 835,427</u></u>

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 - Pension Plan (continued)

Net Pension Liability (continued)

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:

	<u>Expected</u>	<u>Actual</u>
(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	<u>(6,779,145)</u>	<u>(6,779,145)</u>
(f) TPL as of September 30, 2019 = [(a) x (1.0770)] + (c) + (d) - [(e) x (1.0385)]	<u><u>123,796,882</u></u>	<u><u>126,639,961</u></u>
(g) Difference between Expected and Actual:		\$ 2,843,079
(h) Less Liability Transferred for Immediate Recognition:		<u>64,570</u>
(i) Experience (Gain)/Loss = (g) - (h)		<u><u>\$ 2,778,509</u></u>

Actuarial assumptions. The total pension liability as of September 30, 2021 and 2020, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2020 and 2019, 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

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 - Pension Plan (continued)

Net Pension Liability (continued)

For the September 30, 2021 valuation, mortality rates were based on the Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019:

<u>Group</u>	<u>Membership Table</u>	<u>Set Forward (+)/</u>	<u>Adjustment to Rates</u>
Non-FLC Service Retirees	General Healthy Below Median	Male: +2, Female: +2	Male: 90% ages < 65, 96% ages >= 65 Female: 96% all ages
FLC/State Police Service Retirees	Public Safety Healthy Below Median	Male: +1, Female: none	None
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: +2	None
Non-FLC Disabled Retirees	General Disability	Male: +7, Female: +3	None
FLC/State Police Disabled Retirees	Public Safety Disability	Male: +7, Female: none	None

The actuarial assumptions used in the September 30, 2020 valuation were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2020.

For the September 30, 2020 valuation, mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 - Pension Plan (continued)

Net Pension Liability (continued)

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	15.00%	2.80%
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%	9.00%
Real estate	10.00%	6.50%
Cash equivalents	5.00%	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, 7.45%. 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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 - Pension Plan (continued)

Net Pension Liability (continued)

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.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
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
Changes of assumptions	-	-	-
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	112,559,677	75,051,613	37,508,064
Changes for the year:			
Service cost	1,619,186	-	1,619,186
Interest	8,374,006	-	8,374,006
Changes of assumptions	2,909,322	-	2,909,322
Difference between expected and actual experience	(2,073,895)	-	(2,073,895)
Contributions - employer	-	2,085,634	(2,085,634)
Contributions - employee	-	1,508,778	(1,508,778)
Net investment income	-	16,229,540	(16,229,540)
Benefit payments, including refunds of employee contributions	(7,612,703)	(7,612,703)	-
Transfers among employers	84,016	84,016	-
Net changes	<u>3,299,932</u>	<u>12,295,265</u>	<u>(8,995,333)</u>
Balances at September 30, 2021	<u>\$ 115,859,609</u>	<u>\$ 87,346,878</u>	<u>\$ 28,512,731</u>

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 - Pension Plan (continued)

Net Pension Liability (continued)

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 7.45%, 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 (6.45%) or 1- percentage-point higher (8.45%) than the current rate based on the actuarial valuation as of September 30, 2020 rolled forward to September 30, 2021.

	1.00% Decrease (6.45%)	Current Discount Rate (7.45%)	1.00% Increase (8.45%)
Plan's Net Pension Liability	\$ 41,669,068	\$ 28,512,731	\$ 17,386,843

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, 2021. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2021. The auditor's report dated August 19, 2022, 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, 2022 and 2021, the Board recognized pension expense of \$536,438 and \$4,086,478 respectively.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 - Pension Plan (continued)

**Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions
(continued)**

At December 31, 2022, 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	\$ 2,353,733	\$ 1,886,968
Changes in assumptions	2,586,675	-
Net difference between projected and actual earnings on plan investments	<u>-</u>	<u>6,325,029</u>
Total	<u><u>\$ 4,940,408</u></u>	<u><u>\$ 8,211,997</u></u>

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 plain investments	<u>2,352,835</u>	<u>-</u>
Total	<u><u>\$ 6,005,685</u></u>	<u><u>\$ 329,164</u></u>

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 - Pension Plan (continued)

**Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions
(continued)**

Amounts to be 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:	
2023	\$ (474,059)
2024	(126,658)
2025	(1,117,203)
2026	(1,681,111)
2027	127,442
Total	<u>\$ (3,271,589)</u>

NOTE 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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 6 - Other Post-Employment Benefits (continued)

General Information about the OPEB Plan (continued)

For retirees over age 65, the Board provides a supplemental Medicare policy. Life insurance is provided for retirees meeting eligibility requirements. No separate stand-alone OPEB plan financial statements are publicly available. However, information on funding progress, contributions, and other elements are included in these financial statements.

Employees covered by benefit terms. For health and dental benefits, 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	-
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 \$358,977 and \$668,451 to the Fiduciary Fund for future benefits for 2022 and 2021, respectively. Plan members receiving benefits contributed \$320,000 and \$315,356 of the cost in 2022 and 2021, respectively.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 6 - Other Post-Employment Benefits (continued)

General Information about the OPEB Plan (continued)

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, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2021, and rolled forward to the December 31, 2022 measurement date.

Actuarial assumptions. The total OPEB liability in the December 31, 2022 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 6.00% to reflect actual first year costs, 5.75% in the second year and gradually decreasing to an ultimate trend rate of 3.75%

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

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: 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%

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 6 - Other Post-Employment Benefits (continued)

General Information about the OPEB Plan (continued)

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, 2022 and 2021. 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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 6 - Other Post-Employment Benefits (continued)

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
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	-	983,807	(983,807)
Net investment income	-	2,086,039	(2,086,039)
Benefit payments	(1,522,027)	(1,837,381)	315,354
Net changes	(308,812)	1,232,465	(1,541,277)
Balances at 12/31/2021	18,052,301	18,925,147	(872,846)
Changes for the year:			
Service cost	174,616	-	174,616
Interest	747,042	-	747,042
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	678,977	(678,977)
Net investment income	-	(2,869,697)	2,869,697
Benefit payments	(1,298,937)	(1,657,913)	358,976
Net changes	(377,279)	(3,848,633)	3,471,354
Balances at 12/31/2022	\$ 17,675,022	\$ 15,076,514	\$ 2,598,508

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 6 - Other Post-Employment Benefits (continued)

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:

	1% Decrease (3.25%)	Discount Rate (4.25%)	1% Increase (5.25%)
Net OPEB liability (asset)	\$ 4,422,712	\$ 2,598,508	\$ 1,038,410

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:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB liability (asset)	\$ 913,218	\$ 2,598,508	\$ 4,581,086

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

For the year ended December 31, 2022 and 2021, the Board recognized OPEB (income) expense of (\$2,115,655) and (\$2,693,063), respectively. At December 31, 2022, the Board reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 109,994	\$ 914,269
Changes of assumptions	45,636	1,601,885
Net difference between projected and actual earnings on OPEB plan investments	2,922,570	1,717,760
Total	<u>\$ 3,078,200</u>	<u>\$ 4,233,914</u>

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 6 - Other Post-Employment Benefits (continued)

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB (continued)**

At December 31, 2021, the Board reported deferred outflows of resources related to OPEB from the following sources:

	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>

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

Year ended December 31	Deferred Outflows of Resources	Deferred Inflows of Resources
2023	\$ -	\$ 2,209,172
2024	-	220,623
2025	496,386	-
2026	766,837	-
2027	10,858	-
Thereafter	-	-

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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 6 - Other Post-Employment Benefits (continued)

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB (continued)**

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.

NOTE 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, 2022 and 2021 of \$471,100 and \$549,600, 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 12/31/22	Year ended 12/31/21	Year ended 12/31/20
Claims liability, beginning of year	\$ 549,600	\$ 456,600	\$ 425,200
Insured claims and expenses	6,741,542	6,770,040	5,477,342
Claims payments	(6,820,042)	(6,677,040)	(5,445,942)
Claims settlements, excess policy	-	-	-
Claims liability, end of year	<u>\$ 471,100</u>	<u>\$ 549,600</u>	<u>\$ 456,600</u>

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 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.

	<u>2022</u> <u>(in thousands)</u>	<u>2021</u> <u>(in thousands)</u>
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
Series 2014 \$102,375,000 Water and Sewer Revenue Bonds, issued November 1, 2014, at 4% to 5%, due annually through January 1, 2036	950	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	7,050	11,875
Series 2022 \$103,040,000 Water and Sewer Revenue Bonds, issued October 6, 2022, at 2.78%, due annually through January 1, 2036	103,040	-
SRF 2004 \$10,310,000 Subordinated Revenue Bond, issued November 1, 2004, at 3.05%, due annually through August 15, 2024	1,340	1,980
SRF 2012-CWSRF-DL \$20,000,000 Subordinated Revenue Bond issued August 15, 2012, at 2.90%, due annually through February 15, 2032	11,435	12,410
SRF 2014-CWSRF-DL \$20,010,000 Subordinated Revenue Bond issued August 15, 2014, at 2.45%, due annually through August 15, 2034	13,160	14,090
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	14,855	15,750
SRF 2018-CWSRF \$31,510,000 Subordinated Revenue Bond issued November 1, 2018, at 2.20%, due annually through August 15, 2038	26,265	27,620

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 8 - Bonds Payable (continued)

	2022 (in thousands)	2021 (in thousands)
SRF 2018-DWSRF \$7,510,000 Subordinated Revenue Bond issued November 1, 2018, at 2.20%, due annually through August 15, 2038	6,255	6,580
SRF 2019-CWSRF \$10,010,000 Subordinated Revenue Bond issued November 1, 2019, at 2.20%, due annually through August 15, 2039	8,770	9,190
SRF 2019-DWSRF \$20,010,000 Subordinated Revenue Bond issued August 1, 2019, at 2.20%, due annually through February 15, 2039	17,535	18,380
SRF 2020-CWSRF \$32,260,000 Subordinated Revenue Bond issued February 15, 2020, at 2.20%, due annually through February 15, 2040	29,630	30,960
SRF 2021-CWSRF \$36,000,000 Subordinated Revenue Bond issued March 1, 2021, at 2.20%, due annually through February 15, 2041	34,550	36,000
SRF 2021-DWSRF \$32,260,000 Subordinated Revenue Bond issued March 1, 2021, at 2.20%, due annually through February 15, 2041	12,345	12,865
SRF 2022-CWSRF \$41,015,000 Subordinated Revenue Bond issued February 15, 2022, at 2.20%, due annually through February 15, 2042	41,015	-
SRF 2022-DWSRF \$15,365,000 Subordinated Revenue Bond issued February 15, 2022, at 2.20%, due annually through February 15, 2042	15,365	-
Subtotal	\$ 343,560	\$ 302,307
Plus: bond premium	4,921	5,466
Total bonds payable	<u>\$ 348,481</u>	<u>\$ 307,773</u>

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 8 - Bonds Payable (continued)

The following is a schedule of maturities of bonds payable:

Years Ending December 31	Principal (In thousands)	Interest (In thousands)	Total (In thousands)
2023	\$ 18,055	\$ 7,416	\$ 25,471
2024	13,990	7,768	21,758
2025	16,900	7,395	24,295
2026	17,390	6,975	24,365
2027	18,825	6,535	25,360
2028-2032	112,315	24,782	137,097
2033-2037	106,270	10,457	116,727
2038-2042	39,815	1,774	41,589
Subtotals	343,560	73,102	416,662
Plus: bond premium	4,921	(4,921)	-
Total bonds payable	\$ 348,481	\$ 68,181	\$ 416,662

Subordinated Water and Sewer Revenue Bond Series 2022-CWSRF-DL

On February 15, 2022, the Board issued a \$41,015,000 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 2022-DWSRF-DL

On February 15, 2022, the Board issued a \$15,365,000 Subordinated Water and Sewer Revenue Bond at 2.20%. The funds will be used for various water infrastructure improvements.

Debt Refunding

The Board has extinguished long-term debt obligations by the issuance of new long-term debt instruments. On October 6, 2022, the Board issued a 2022 Revenue Bond totaling \$103,040,000 at 2.78% for a refunding of \$102,375,000 of the Board's Series 2014 bonds at 4-5%.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 9 – Changes in Noncurrent Liabilities

Activity of noncurrent liabilities for the year ended December 31, 2022 and 2021 was as follows (in thousands):

	1/1/2022	Additions	Reductions	12/31/2022	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 116,482	\$ -	\$ 7,057	\$ 109,425	\$ 5,870
SRF bonds	185,825	57,995	9,685	234,135	12,185
Plus: Bond Premium	5,466	-	545	4,921	546
Total bonds payable	307,773	57,995	17,287	348,481	18,601
Compensated absences	5,687	-	503	5,184	3,153
Net pension liability	38,630	-	10,480	28,150	-
OPEB	(873)	3,472	-	2,599	-
Noncurrent liabilities	<u>\$ 351,217</u>	<u>\$ 61,467</u>	<u>\$ 28,270</u>	<u>\$ 384,414</u>	<u>\$ 21,754</u>

	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>

NOTE 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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 11 - Construction Commitments

The Board had contractual commitments of approximately \$48,031,316 for water and sewer plant construction at December 31, 2022. These commitments are provided by the following bond restricted accounts: State Revolving Loan Construction and Capital Improvement.

NOTE 12 - 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, 2022, was 86,873, 83,946, and 90,455, respectively. The number of customers at December 31, 2021 was 87,162, 83,856, and 90,348, respectively.

NOTE 13 - 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. The Board self-insures the first \$75,000 of each claim and carries insurance to cover any losses in excess of \$75,000 for General Liability and Auto Liability. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount, as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses and attorney fees related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims.

The Board 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 \$1,989,512 and \$2,260,091 for net cash reserves and possible unknown claims as of December 31, 2021 and 2020, respectively. All amounts are considered due within one year.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 13 - Risk Management (continued)

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

	Year Ended 12/31/2022	Year Ended 12/31/2021	Year Ended 12/31/2020
Claims liability, beginning of year	\$ 2,260,091	\$ 2,256,523	\$ 2,164,670
Estimated claims	(414,546)	(200,000)	271,000
Incurred claims (including IBNRs)	643,967	379,143	144,061
Claims and expenses paid	(500,000)	(175,575)	(323,208)
Claims liability, end of year	<u>\$ 1,989,512</u>	<u>\$ 2,260,091</u>	<u>\$ 2,256,523</u>

NOTE 14 - 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 13) in the amount of \$1,989,512 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.

NOTE 15 - 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, 2022 and 2021 was \$-0-.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 16 - Subsequent Events

The Board has evaluated subsequent events through April 27, 2023, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2022 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,

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:								
Service cost	\$ 1,619,186	\$ 1,665,153	\$ 1,601,369	\$ 1,555,364	\$ 1,549,963	\$ 1,583,878	\$ 1,556,455	\$ 1,582,611
Interest	8,374,006	7,967,464	7,692,237	7,387,327	7,193,341	6,968,312	6,683,650	6,387,141
Differences between expected and actual experience	(2,073,895)	2,778,509	563,442	917,733	(987,496)	272,077	24,192	-
Changes of assumptions	2,909,322	-	-	529,314	-	1,468,458	-	-
Benefit payments, including refunds of employee contributions	(7,612,703)	(6,779,145)	(5,745,311)	(5,896,115)	(5,161,202)	(4,697,197)	(4,714,834)	(3,811,964)
Transfers among employers	84,016	64,570	(20,454)	9,810	275,897	349,878	-	-
Net change in total pension liability	3,299,932	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	112,559,677	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>\$ 115,859,609</u>	<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	\$ 2,085,634	\$ 2,157,912	\$ 2,171,106	\$ 2,057,351	\$ 1,963,630	\$ 2,020,517	\$ 1,929,674	\$ 1,930,322
Contributions - member	1,508,778	1,482,011	1,602,284	1,481,771	1,443,549	1,465,536	1,435,421	1,450,779
Net investment income	16,229,540	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	(7,612,703)	(6,779,145)	(5,745,311)	(5,896,115)	(5,161,202)	(4,697,197)	(4,714,834)	(3,811,964)
Transfers among employees	84,016	64,570	(20,454)	9,810	275,897	349,878	(26,853)	(57,694)
Net change in plan fiduciary net position	12,295,265	1,065,285	(115,171)	4,029,200	6,559,466	5,048,919	(683,055)	5,874,127
Plan net position - beginning	75,051,613	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>\$ 87,346,878</u>	<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)	\$ 28,512,731	\$ 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	0.753902751	0.666771752	0.692346657	0.721029193	0.713070447	0.665767573	0.653574951	0.688531749
Covered payroll	\$ 19,731,198	\$ 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	144.51%	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,**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution *	\$ 2,082,537	\$ 2,122,316	\$ 2,221,781	\$ 2,210,267	\$ 2,152,676	\$ 2,057,430	\$ 2,522,052
Contributions in relation to the actuarially determined contribution	<u>2,082,537</u>	<u>2,122,316</u>	<u>2,221,781</u>	<u>2,210,267</u>	<u>2,152,676</u>	<u>2,057,430</u>	<u>2,522,052</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll **	\$18,844,076	\$19,731,198	\$20,789,354	\$22,187,526	\$21,378,330	\$20,547,428	\$20,612,003
Contributions as a percentage of covered-employee payroll	11.05%	10.76%	10.69%	9.96%	10.07%	10.01%	12.24%

*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 2022 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	26.1 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

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

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

	2022	2021	2020	2019	2018	2017
TOTAL OPEB LIABILITY						
Service cost	\$ 174,616	\$ 227,531	\$ 203,526	\$ 287,460	\$ 303,067	\$ 283,579
Interest	747,042	757,674	773,879	1,092,214	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	(1,298,937)	(1,522,027)	(1,243,377)	(1,225,351)	(1,245,337)	(1,424,834)
Net change in total OPEB liability	(377,279)	(308,812)	(265,972)	(10,746,373)	131,201	(81,590)
Total OPEB liability - beginning	18,052,301	18,361,113	18,627,085	29,373,458	29,242,257	29,323,847
Total OPEB liability - ending (a)	<u>\$17,675,022</u>	<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	\$ 320,000	\$ 668,451	\$ 544,058	\$ 320,000	\$ 1,859,437	\$ 1,988,590
Net investment income	(2,869,696)	2,086,041	2,163,598	2,544,160	(417,342)	1,851,608
Benefit payments	(1,298,937)	(1,522,027)	(1,243,377)	(1,225,351)	(1,245,337)	(1,424,836)
Administrative expense	-	-	-	-	(90,467)	(54,346)
Net change in plan fiduciary net position	(3,848,633)	1,232,465	1,464,279	1,638,809	106,291	2,361,016
Plan fiduciary net position - beginning	18,925,147	17,692,682	16,228,403	14,589,594	14,483,303	12,122,287
Plan fiduciary net position - ending (b)	<u>\$15,076,514</u>	<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>
Net pension liability - ending (a) - (b)	<u>\$ 2,598,508</u>	<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	85.30%	104.84%	96.36%	87.12%	49.67%	49.53%
Covered - employee payroll	\$18,844,076	\$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	13.79%	-4.31%	3.33%	12.38%	66.80%	70.19%

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

SCHEDULE OF BOARD CONTRIBUTIONS YEAR ENDING DECEMBER 31,

	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 319,587	\$ 306,558	\$ 775,323	\$ 320,000	\$ 1,859,437	\$ 1,988,590
Contributions in relation to the actuarially determined contribution	320,000	668,451	544,058	320,000	1,859,437	1,988,590
Contribution deficiency (excess)	\$ (413)	\$ (361,893)	\$ 231,265	\$ -	\$ -	\$ -
Covered - employee payroll	\$20,970,050	\$20,260,918	\$20,058,912	\$19,380,591	\$22,130,972	\$21,027,723
Contributions as a percentage of covered-employee payroll	1.53%	3.30%	2.71%	1.65%	8.40%	9.46%

Notes to Schedule:

Valuation Date: January 1, 2022
Measurement Date: December 31, 2022

Methods and assumptions used to determine their 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 nondisabled lives. These tables are based on a mortality study of public pension plans by the Society of Actuaries (SOA).
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

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

SCHEDULE OF BOND RESTRICTED ACCOUNTS

DECEMBER 31, 2022

(with comparative totals as of December 31, 2021)

	Total	Capital Improvement Fund Accounts	Sinking Fund Bond Service Accounts	State Revolving Fund Bond Service Accounts	2021 Total
ASSETS					
Cash and cash equivalents	\$31,749,362	\$14,951,250	\$ 5,757,945	\$11,040,167	\$29,624,870
Interest receivable	61,466	48,750	12,700	16	57,999
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$31,810,828</u>	<u>\$15,000,000</u>	<u>\$ 5,770,645</u>	<u>\$11,040,183</u>	<u>\$29,682,869</u>
LIABILITIES					
Interest payable	2,707,710	-	743,334	1,964,376	4,112,360
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	2,707,710	-	743,334	1,964,376	4,112,360
NET POSITION					
Restricted	<u>29,103,118</u>	<u>15,000,000</u>	<u>5,027,311</u>	<u>9,075,807</u>	<u>25,570,509</u>
Total liabilities and net position	<u>\$31,810,828</u>	<u>\$15,000,000</u>	<u>\$ 5,770,645</u>	<u>\$11,040,183</u>	<u>\$29,682,869</u>

See Independent Auditor's Report on Supplementary Information.

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

**SCHEDULE OF REVENUE FUND ACCOUNTS TRANSACTIONS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Water revenue		
Potable water system	\$ 43,119,354	\$ 40,025,426
Water installation charges	323,966	234,992
Capacity fees	137,900	115,150
Miscellaneous charges and services	3,075,711	2,777,858
Industrial water accounts	<u>1,480,645</u>	<u>1,480,511</u>
Total water revenue	<u>48,137,576</u>	<u>44,633,937</u>
Sewer revenue		
Sewer services	71,136,030	67,576,205
Sewer connection charges	206,506	304,820
Capacity fees	382,694	329,890
Miscellaneous charges and services	1,893,919	1,508,330
Pretreatment fees	<u>637,761</u>	<u>608,893</u>
Total sewer revenue	<u>74,256,910</u>	<u>70,328,138</u>
Total operating revenues	122,394,486	114,962,075
OPERATING EXPENSES		
Water supply	2,729,655	2,283,823
Water treatment	7,893,841	6,171,376
Wastewater treatment	7,452,375	7,282,974
Transmission and collection	18,227,053	20,235,260
Support services	4,449,602	4,431,794
Supervision and general expense	<u>16,054,827</u>	<u>19,373,109</u>
Total operating expenses	<u>56,807,353</u>	<u>59,778,336</u>
OPERATING INCOME (revenue fund accounts)	65,587,133	55,183,739
NON-OPERATING REVENUES (EXPENSES)		
Interest income:		
Revenue and operating account investments	(38,318)	(51,027)
FEMA reimbursement	129,186	213,844
Miscellaneous rentals and sale of property	4,806,626	530,825
Miscellaneous expense	<u>-</u>	<u>(3,226)</u>
NET INCOME (revenue and operating accounts)	<u>70,484,627</u>	<u>55,874,155</u>
DEDUCTIONS FROM (ADDITIONS TO) NET INCOME		
Payments to (from) debt service funds:		
Sinking Fund Bond Service Account	10,308,094	8,990,038
State Revolving Fund Bond Service Account	17,127,285	15,109,049
Transfers to restricted accounts	<u>36,103,984</u>	<u>29,053,214</u>
Total deductions from net income	<u>63,539,363</u>	<u>53,152,301</u>
CHANGE IN NET POSITION		
REVENUE FUND ACCOUNTS	<u>\$ 6,945,264</u>	<u>\$ 2,721,854</u>

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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, 2022 AND 2021**

	2022			2021		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES						
Water revenue	\$ 45,224,904	\$ 48,137,576	\$ 2,912,672	\$ 43,921,873	\$ 44,633,937	\$ 712,064
Sewer revenue	<u>72,993,561</u>	<u>74,256,910</u>	<u>1,263,349</u>	<u>69,884,458</u>	<u>70,328,138</u>	<u>443,680</u>
Total operating revenues	118,218,465	122,394,486	4,176,021	113,806,331	114,962,075	1,155,744
OPERATING EXPENSES	<u>(64,259,000)</u>	<u>(56,807,353)</u>	<u>7,451,647</u>	<u>(64,267,100)</u>	<u>(59,778,336)</u>	<u>4,488,764</u>
OPERATING INCOME	53,959,465	65,587,133	11,627,668	49,539,231	55,183,739	5,644,508
NON OPERATING REVENUES/(EXPENSES)						
Investment income	75,000	(38,318)	(113,318)	265,000	(51,027)	(316,027)
FEMA reimbursement	-	129,186	129,186	-	213,844	213,844
Other income	430,000	4,806,626	4,376,626	540,000	530,825	(9,175)
Miscellaneous expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,226)</u>	<u>(3,226)</u>
Net income	<u>54,464,465</u>	<u>70,484,627</u>	<u>16,020,162</u>	<u>50,344,231</u>	<u>55,874,155</u>	<u>5,529,924</u>
OTHER REVENUE DEDUCTIONS						
Sinking Fund Bond Service Account	(12,154,351)	(10,308,094)	1,846,257	(15,759,539)	(8,990,038)	6,769,501
State Revolving Fund Bond Service Account	(14,322,034)	(17,127,285)	(2,805,251)	(9,748,412)	(15,109,049)	(5,360,637)
Transfers to restricted accounts	<u>(27,988,080)</u>	<u>(36,103,984)</u>	<u>(8,115,904)</u>	<u>(24,836,280)</u>	<u>(29,053,214)</u>	<u>(4,216,934)</u>
Total other revenue deductions	<u>(54,464,465)</u>	<u>(63,539,363)</u>	<u>(9,074,898)</u>	<u>(50,344,231)</u>	<u>(53,152,301)</u>	<u>(2,808,070)</u>
CHANGE IN NET POSITION						
REVENUE FUND ACCOUNTS	<u>\$ -</u>	<u>\$ 6,945,264</u>	<u>\$ 6,945,264</u>	<u>\$ -</u>	<u>\$ 2,721,854</u>	<u>\$ 2,721,854</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, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
WATER SUPPLY		
Labor Cost	\$ 215,385	\$ 288,905
Payroll Taxes	16,007	21,510
Fringe Benefits	73,182	114,898
Administrative Expenses	39,342	41,124
Electricity and Natural Gas	899,096	880,432
Maintenance and Repairs	41,479	128,947
Misc Outside Services	1,056,761	427,803
Chemicals	6,147	6,355
Offices Supplies and Expenses	786	1,986
Operating Supplies and Materials	133,904	135,734
Vehicle and Equipment Expense	247,566	236,129
	<u>\$ 2,729,655</u>	<u>\$ 2,283,823</u>
WATER TREATMENT		
Labor Cost	\$ 1,967,836	\$ 1,643,405
Payroll Taxes	152,581	120,772
Fringe Benefits	560,224	565,852
Administrative Expenses	34,674	21,075
Electricity and Natural Gas	538,872	537,189
Maintenance and Repairs	56,047	40,249
Misc Outside Services	639,984	587,714
Chemicals	3,348,879	2,230,281
Offices Supplies and Expenses	8,231	6,068
Operating Supplies and Materials	231,044	190,861
Vehicle and Equipment Expense	355,469	227,910
	<u>\$ 7,893,841</u>	<u>\$ 6,171,376</u>
WASTEWATER TREATMENT		
Labor Cost	\$ 2,153,655	\$ 2,132,919
Payroll Taxes	161,654	168,495
Fringe Benefits	653,903	724,238
Administrative Expenses	23,422	25,761
Electricity and Natural Gas	1,754,791	1,510,924
Maintenance and Repairs	92,509	81,616
Misc Outside Services	1,575,135	1,654,643
Chemicals	334,245	347,087
Offices Supplies and Expenses	15,806	14,052
Operating Supplies and Materials	209,166	259,813
Vehicle and Equipment Expense	478,089	363,426
	<u>\$ 7,452,375</u>	<u>\$ 7,282,974</u>

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	2022	2021
TRANSMISSION AND COLLECTION		
Labor Cost	\$ 5,648,094	\$ 6,333,836
Payroll Taxes	450,433	484,252
Fringe Benefits	1,996,294	2,507,980
Administrative Expenses	60,094	57,459
Electricity and Natural Gas	1,534,558	1,610,809
Maintenance and Repairs	72,029	20,659
Misc Outside Services	4,854,624	4,968,074
Chemicals	386,139	375,022
Offices Supplies and Expenses	10,675	8,577
Operating Supplies and Materials	1,733,420	2,392,220
Vehicle and Equipment Expense	1,480,693	1,476,372
	<u>\$ 18,227,053</u>	<u>\$ 20,235,260</u>
SUPPORT SERVICES		
Labor Cost	\$ 2,091,124	\$ 2,323,140
Payroll Taxes	167,784	170,820
Fringe Benefits	760,063	927,294
Administrative Expenses	16,536	28,631
Electricity and Natural Gas	336	529
Maintenance and Repairs	148,379	98,378
Misc Outside Services	839,788	912,828
Offices Supplies and Expenses	3,389	3,958
Operating Supplies and Materials	238,482	(212,039)
Vehicle and Equipment Expense	183,721	178,255
	<u>\$ 4,449,602</u>	<u>\$ 4,431,794</u>
SUPERVISION, ENGINEERING, ACCOUNTING, COLLECTIONS AND GENERAL EXPENSE		
Labor Cost	\$ 7,290,645	\$ 7,475,770
Payroll Taxes	519,594	555,687
Fringe Benefits	610,137	5,457,899
Other Post Employment Benefits	(2,115,655)	(2,690,185)
Administrative Expenses	2,500,469	1,843,474
Electricity and Natural Gas	296,588	263,757
Maintenance and Repairs	2,269,465	2,130,703
Misc Outside Services	4,105,700	3,522,329
Offices Supplies and Expenses	53,856	56,585
Operating Supplies and Materials	170,328	279,245
Vehicle and Equipment Expense	353,700	477,845
	<u>\$ 16,054,827</u>	<u>\$ 19,373,109</u>

See Independent Auditor's Report on Supplementary Information

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

**SCHEDULES OF CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

		Unrestricted	
	2022 Totals	Operating Cash Reserve Fund Accounts	Self-Insurance Cash Reserve Fund Accounts
CHANGES RESULTING FROM OPERATIONS - INCREASE (DECREASE)			
Operating income - revenue fund	\$ 65,587,133	\$ 66,033,602	\$ (446,469)
Operating expenses - capital improvement fund account	(1,398,976)	-	-
Depreciation	(23,811,845)	-	-
FEMA reimbursement	129,186	129,186	-
Investment earnings	93,381	(38,318)	-
Miscellaneous rentals and sale of property	5,242,846	4,806,626	-
Miscellaneous expense	-	-	-
Bond interest premium / (expense)	(8,327,686)	-	-
Bond issuance costs	(428,448)	-	-
INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	37,085,591	70,931,096	(446,469)
CAPITAL GRANTS AND CONTRIBUTIONS			
Lines accepted by the Board without reimbursement	822,977	-	-
Contributions for extensions/repair and replacement	-	-	-
Capital grants	-	-	-
CHANGES FROM INTER-ACCOUNT TRANSFERS			
Cash transfers from revenue fund (net)	-	(65,919,245)	750,000
Additions to utility plant:			
Equipment, vehicles and building improvements	-	-	-
Construction in progress	-	-	-
Proceeds from bond sales	-	-	-
Debt retired	-	-	-
CHANGE IN NET POSITION	37,908,568	5,011,851	303,531
TOTAL NET POSITION - BEGINNING OF YEAR	451,056,487	5,582,102	3,906,215
TOTAL NET POSITION - END OF YEAR	\$ 488,965,055	\$ 10,593,953	\$ 4,209,746

See Independent Auditor's Report on Supplementary Information

Unrestricted			Restricted			2021 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	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,183,735
-	-	-	(1,398,976)	-	-	(2,056,837)
-	-	(23,811,845)	-	-	-	(24,568,410)
-	-	-	-	-	-	213,844
-	-	-	-	20,789	110,910	(51,027)
-	-	84,412	351,808	-	-	372,159
-	-	-	-	-	-	(3,226)
-	-	152,184	-	-	(8,479,870)	(9,411,102)
-	-	(406,448)	-	(22,000)	-	(20,000)
-	-	(23,981,697)	(1,047,168)	(1,211)	(8,368,960)	19,659,136
-	-	822,977	-	-	-	1,518,979
-	-	-	-	-	-	323,032
-	-	-	-	-	-	-
229,879	1,400,000	73,610	68,709,514	(32,679,137)	27,435,379	-
-	-	4,299,563	(4,299,563)	-	-	-
-	-	51,825,558	(51,825,558)	-	-	-
-	-	(56,380,000)	-	56,380,000	-	-
-	-	16,742,353	-	-	(16,742,353)	-
229,879	1,400,000	(6,597,636)	11,537,225	23,699,652	2,324,066	21,501,147
3,618,219	8,842,000	352,049,622	17,764,410	42,992,825	16,301,094	429,555,340
<u>\$ 3,848,098</u>	<u>\$ 10,242,000</u>	<u>\$ 345,451,986</u>	<u>\$ 29,301,635</u>	<u>\$ 66,692,477</u>	<u>\$ 18,625,160</u>	<u>\$ 451,056,487</u>

See Independent Auditor's Report on Supplementary Information

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>	74
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>	76
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>	81
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>	85
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>	89

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

	2013	2014 (restated)	2015	2016 (restated)	2017	2018	2019	2020	2021	2022
Operating revenues										
Water sales	\$ 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	\$ 48,137,576
Sewer charges	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	74,256,910
Total operating revenues	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	122,394,486
Operating expenses										
Water supply	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	2,729,655
Water, sewer, treatment, and administration	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	54,077,698
Capital improvement fund accounts	587,987	566,230	1,369,583	2,227,136	2,314,627	1,465,627	929,740	720,763	2,056,837	1,398,976
Depreciation	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	23,811,845
Total operating expenses	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	82,018,174
Net revenue from operations	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	40,376,312
Non operating revenues (expenses)										
FEMA reimbursement	6,204	195,924	32,654	-	-	-	-	-	213,844	129,186
Investment earnings	89,744	496,608	319,843	331,392	540,985	1,006,525	1,429,807	504,755	(51,027)	93,381
Miscellaneous rentals and sale of property	694,545	4,785,339	916,922	632,649	981,699	1,017,713	913,214	1,014,502	1,646,619	5,158,434
Miscellaneous expense and loss on disposal of assets	-	-	(15,511)	(11,617)	(281)	(96)	(1,173,661)	(346,223)	(1,277,690)	84,412
Bond interest expense	(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)	(8,327,686)
Bond issuance costs	(24,500)	(688,026)	-	(78,510)	-	(20,000)	(20,000)	(10,000)	(20,000)	(428,448)
Income (loss) before capital grants and contributions	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	37,085,591
Capital grants and contributions										
Lines accepted by the Board without reimbursement	813,555	971,388	1,492,169	710,929	1,494,115	-	105,939	1,459,666	1,518,979	822,977
Contributions for extensions / repair and replacement	77,506	466,161	262,097	371,440	-	1,839,914	-	199,940	323,032	-
Capital grants	304,186	12,639	100,916	-	-	-	100,000	3,665,048	-	-
Total capital grants and contributions	1,195,247	1,450,188	1,855,182	1,082,369	1,494,115	1,839,914	205,939	5,324,654	1,842,011	822,977
Prior year adjustment										
Debt issuance costs	-	-	-	(470,417)	-	-	-	-	-	-
OPEB	-	(26,042,086)	-	(14,590,382)	-	-	-	-	-	-
Pension	-	-	-	(753,184)	-	-	-	-	-	-
Change in net position	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	37,908,568
Total net position										
Beginning	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	451,056,487
Total net position Ending	\$ 334,352,859	\$ 325,478,428	\$ 342,582,643	\$ 345,675,965	\$ 362,619,181	\$ 381,401,456	\$ 400,206,648	\$ 429,555,340	\$ 451,056,487	\$ 488,965,055

See Independent Auditor's Report on Supplementary Information

BOARD OF WATER AND SEWER COMMISSIONERS OF THE CITY OF MOBILE

NET POSITION BY COMPONENT Last Ten Years

	<u>2013</u>	<u>2014</u> <u>(restated)</u>	<u>2015</u>	<u>2016</u> <u>(restated)</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Net investment in capital assets	\$ 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	\$ 423,876,355
Restricted for debt service	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	14,103,118
Restricted for construction and other bond covenants	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	15,000,000
Unrestricted net position	<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>	<u>35,985,582</u>
Total net position	<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>	<u>\$ 488,965,055</u>

See Independent Auditor's Report on Supplementary Information

BOARD OF WATER AND SEWER COMMISSIONERS OF THE CITY OF MOBILE

REVENUES BY TYPE Last Ten Years

Year Ended December 31	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating revenues										
Water revenue										
Potable water system sales	\$ 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	\$ 43,119,354
Water connection (service line) fees	224,897	311,792	312,755	333,177	293,635	327,916	291,908	413,788	234,992	323,966
Water connection (capacity) fees	204,440	165,865	198,070	194,590	205,310	217,600	159,637	178,890	115,150	137,900
Miscellaneous water income	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	3,075,711
Water supply system sales (industrial)	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	1,480,645
Total water revenue	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	48,137,576
Sewer revenue										
Sewer system charges	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	71,136,030
Sewer connection (service line) fees	201,311	236,645	215,271	261,122	229,717	287,706	236,215	348,712	304,820	206,506
Sewer connection (capacity) fees	500,406	440,571	501,400	481,036	578,600	531,364	405,210	492,340	329,890	382,694
Miscellaneous sewer income	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	1,893,919
Pre-treatment fees	657,956	708,573	664,853	625,467	632,361	799,538	793,511	792,069	608,893	637,761
Total sewer revenue	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	74,256,910
Total operating revenues	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	122,394,486
Non-operating revenues										
Investment earnings	89,744	496,608	319,843	331,392	540,985	1,006,525	1,429,807	504,755	(51,027)	93,381
Grant proceeds	-	-	-	-	-	-	-	-	-	-
FEMA reimbursements (uncollectible)	6,204	195,924	32,654	-	-	19,015	-	-	213,844	129,186
Miscellaneous rentals and sale of property	694,545	4,785,339	916,922	632,649	981,699	1,002,876	913,214	1,014,502	1,646,619	5,242,846
Total non-operating revenues	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	5,465,413
Total revenues	\$ 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	\$ 127,859,899

See Independent Auditor's Report on Supplementary Information.

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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
5/8"	\$ 47,411	\$ 48,320	\$ 50,782	\$ 54,330	\$ 52,553	\$ 53,319	\$ 55,032	\$ 59,630	\$ 58,553	\$ 61,317
1"	3,379	3,273	3,610	3,724	3,366	3,581	3,708	3,766	3,889	4,223
1 1/2 "	774	818	962	1,023	932	1,045	1,129	1,126	1,180	1,352
2"	6,804	7,722	7,344	7,648	7,426	7,124	8,225	8,169	8,319	9,220
3"	2,350	2,755	2,544	2,514	2,582	3,010	2,881	2,853	2,859	3,114
4"	7,581	8,647	8,116	8,283	8,113	8,393	8,654	9,409	9,460	9,933
6"	6,943	6,879	7,812	7,983	8,425	12,203	10,449	11,222	11,771	12,758
8"	5,094	5,891	6,060	5,913	5,248	6,452	7,400	7,772	7,556	8,211
10" - 12"	3,694	4,186	3,940	4,513	4,641	4,512	4,377	4,279	4,015	4,127
	<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>	<u>\$ 114,255</u>
Untreated water	<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>	<u>1,481</u>
Total	<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>	<u><u>\$ 115,736</u></u>

See Independent Auditor's Report on Supplementary Information.

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
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
2022	1/1/2022	\$ 3.48	\$ 11.11	\$ 8.69	\$ 25.73

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.

See Independent Auditor's Report on Supplementary Information.

BOARD OF WATER AND SEWER COMMISSIONERS OF THE CITY OF MOBILE

SCHEDULES OF OPERATING REVENUES-INDUSTRIAL WATER ACCOUNTS Last Ten Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Big Creek System										
Mobile Water Service	\$ 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	\$ 3,671,197
Less: Intra-fund eliminations	(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)	(3,671,197)
Kimberly-Clark Corp.	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	1,151,976
Kemira Water Solutions	5,007	7,477	6,225	5,525	5,741	7,194	6,295	4,628	4,769	3,330
Occidental Chemical	3,765	4,336	4,724	10,302	10,888	6,482	4,308	2,943	3,134	3,036
UOP	157,017	176,695	191,924	207,395	188,971	220,949	193,314	133,061	157,769	158,645
Merchants Transfer (formerly Multisorb Technologies and Eagle Chemical Company)	3,765	4,301	4,494	4,668	4,719	4,724	4,308	2,943	3,134	3,036
Mobile Paper Board Corp.	25,689	31,081	26,637	31,249	32,721	38,043	26,294	6,431	1,807	
Shell Chemical LP	-	-	-	-	-	-	-	-	43,559	21,964
Vertex Refining Alabama, LLC	-	-	-	-	-	-	-	-	-	48,972
Mobile Energy	54,753	40,914	143,844	135,719	52,024	96,816	81,682	76,599	107,434	89,686
Total Big Creek System	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	1,480,645
Mobile River System										
SSAB Steel	45,234	29,720	18,158	1,808	-	-	-	-	-	-
SSAB Steel prior year adjustment	(33,756)	(256,043)	-	-	-	-	-	-	-	-
Total Mobile River System	11,478	(226,323)	18,158	1,808	-	-	-	-	-	-
Total Operating Revenues - Industrial Water Accounts	\$ 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	\$ 1,480,645

See Independent Auditor's Report on Supplementary Information.

BOARD OF WATER AND SEWER COMMISSIONERS OF THE CITY OF MOBILE

SCHEDULE OF TEN LARGEST USERS

Last Ten Years

User	2013	% of Total	2014	% of Total	2015	% of Total	2016	% of Total	2017	% of Total
	Total Consumption	Treated Water Sold	Total Consumption	Treated Water Sold	Total Consumption	Treated Water Sold	Total Consumption	Treated Water Sold	Total Consumption	Treated Water Sold
Alabama Power	326,877,700	2.75%	288,794,900	2.33%	271,218,800	2.26%	169,264,400	1.47%	176,664,100	1.50%
Alabama State Docks	247,167,300	2.08%	384,062,800	3.10%	280,572,000	2.33%	445,407,800	3.87%	338,406,400	2.88%
Holcim (US) Inc.	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Huls America/Degussa/Evonik	582,181,500	4.90%	495,438,300	4.01%	457,294,900	3.80%	463,246,000	4.02%	523,476,000	4.46%
Kimberly Clark Corp.	127,722,800	1.07%	134,103,100	1.08%	116,993,100	0.97%	111,907,400	0.97%	138,080,400	1.18%
Mitsubishi Polysilicon	201,746,000	1.70%	199,026,100	1.61%	197,112,700	1.64%	207,072,100	1.80%	304,431,200	2.59%
Mobile Housing Board	108,775,700	0.92%	n/a	n/a	112,264,600	0.93%	126,284,700	1.10%	n/a	n/a
Mobile Infirmary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	99,697,200	0.85%
Mobile Public Schools	n/a	n/a	100,368,500	0.81%	n/a	n/a	n/a	n/a	n/a	n/a
Phenolchemie Inc.	158,440,000	1.33%	139,800,000	1.13%	174,600,000	1.45%	184,500,000	1.60%	n/a	n/a
Praxair	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	182,050,000	1.55%
Prichard Water and Sewer	1,050,426,500	8.84%	1,061,450,700	8.58%	964,938,500	8.02%	970,807,800	8.43%	n/a	n/a
Spanish Fort Water	181,012,500	1.52%	222,343,500	1.80%	228,835,000	1.90%	220,642,700	1.92%	1,054,229,000	8.97%
University of South Alabama	174,046,600	1.46%	152,984,900	1.24%	167,222,000	1.39%	149,368,100	1.30%	196,991,300	1.68%

User	2018	% of Total	2019	% of Total	2020	% of Total	2021	% of Total	2022	% of Total
	Total Consumption	Treated Water Sold	Total Consumption	Treated Water Sold	Total Consumption	Treated Water Sold	Total Consumption	Treated Water Sold	Total Consumption	Treated Water Sold
Alabama Power	215,062,900	1.89%	208,837,800	1.81%	187,084,200	1.62%	177,602,000	1.59%	218,151,100	1.86%
Alabama State Docks	295,343,800	2.60%	384,209,600	3.33%	276,803,900	2.40%	177,485,800	1.59%	265,254,100	2.26%
Holcim (US) Inc.	n/a	n/a	96,286,600	0.84%	87,100,200	0.76%	90,382,000	0.81%	87,191,900	0.74%
Huls America/Degussa/Evonik	331,116,200	2.91%	336,092,100	2.92%	289,287,800	2.51%	257,772,000	2.31%	231,338,500	1.97%
Kemira Water Solutions	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100,653,800	0.86%
Kimberly Clark Corp.	116,501,700	1.03%	118,947,600	1.03%	117,016,000	1.02%	134,802,000	1.21%	142,614,000	1.21%
Mitsubishi Polysilicon	224,077,700	1.97%	203,394,500	1.77%	203,359,900	1.77%	201,477,000	1.80%	296,390,100	2.52%
Mobile Energy	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Mobile Infirmary	80,641,800	0.71%	n/a	n/a	n/a	n/a	73,488,900	0.66%	n/a	n/a
Phenolchemie Inc.	187,900,000	1.65%	179,650,000	1.56%	200,200,000	1.74%	165,491,000	1.48%	352,414,300	3.00%
Praxair	n/a	n/a	n/a	n/a	81,185,900	0.70%	n/a	n/a	n/a	n/a
Prichard Water and Sewer	1,167,902,100	10.28%	1,097,756,050	9.53%	1,336,005,800	11.60%	1,471,640,000	13.18%	1,556,324,000	13.25%
Spanish Fort Water	261,017,700	2.30%	293,784,000	2.55%	329,090,900	2.86%	264,246,000	2.37%	359,726,000	3.06%
University of South Alabama	173,291,300	1.53%	113,957,400	0.99%	n/a	n/a	n/a	n/a	n/a	n/a

Note: Information on all ten top users for 2022 was not recorded in all cases for each year from 2013 through 2021.

See Independent Auditor's Report on Supplementary Information.

BOARD OF WATER AND SEWER COMMISSIONERS OF THE CITY OF MOBILE

SCHEDULE OF FUTURE DEBT PAYMENTS- REVENUE BONDS

(In Thousands)

December 31, 2022

Water and Sewer Revenue Bonds					SRF Subordinate Revenue Bonds														Total
	Series 2014	Series 2016	Series 2022	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	Series 2022 CWSRF	Series 2022 DWSRF	Total	
2023 Prin	950	4,920	-	5,870	660	1,000	955	915	1,385	330	430	860	1,360	1,485	530	1,655	620	12,185	18,055
Int	24	130	2,109	2,262	41	317	322	327	578	138	193	376	637	744	266	884	331	5,154	7,416
2024 Prin	-	1,230	295	1,525	680	1,030	980	935	1,415	335	440	880	1,390	1,515	540	1,690	635	12,465	13,990
Int	-	39	2,860	2,899	21	288	299	307	547	130	183	357	607	711	254	847	317	4,868	7,768
2025 Prin	-	900	3,940	4,840	-	1,060	1,005	955	1,445	345	450	900	1,420	1,550	555	1,730	645	12,060	16,900
Int	-	16	2,802	2,818	-	257	275	286	516	123	174	338	576	677	242	810	303	4,577	7,395
2026 Prin	-	-	5,060	5,060	-	1,090	1,025	980	1,480	350	460	920	1,450	1,585	565	1,765	660	12,330	17,390
Int	-	-	2,676	2,676	-	226	250	265	484	115	164	318	544	643	230	771	289	4,298	6,975
2027 Prin	-	-	6,205	6,205	-	1,125	1,055	1,000	1,510	360	470	940	1,480	1,620	580	1,805	675	12,620	18,825
Int	-	-	2,520	2,520	-	194	225	243	452	108	154	297	512	607	217	732	274	4,016	6,535
2028 Prin	-	-	6,375	6,375	-	1,155	1,080	1,025	1,545	370	480	960	1,515	1,655	590	1,845	690	12,910	19,285
Int	-	-	2,345	2,345	-	161	200	222	418	100	143	276	479	571	204	692	259	3,726	6,071
2029 Prin	-	-	9,200	9,200	-	1,190	1,105	1,045	1,580	375	490	980	1,550	1,690	605	1,885	705	13,200	22,400
Int	-	-	2,129	2,129	-	127	173	199	385	92	133	255	445	534	191	651	244	3,429	5,558
2030 Prin	-	-	9,455	9,455	-	1,225	1,135	1,070	1,615	385	500	1,005	1,585	1,730	615	1,925	720	13,510	22,965
Int	-	-	1,869	1,869	-	92	146	176	350	83	122	233	411	497	98	609	228	3,045	4,914
2031 Prin	-	-	9,715	9,715	-	1,260	1,160	1,095	1,650	395	515	1,025	1,615	1,765	630	1,970	740	13,820	23,535
Int	-	-	1,603	1,603	-	56	118	152	315	75	111	211	376	458	164	566	212	2,815	4,417
2032 Prin	-	-	9,985	9,985	-	1,300	1,190	1,115	1,690	400	525	1,050	1,655	1,805	645	2,015	755	14,145	24,130
Int	-	-	1,329	1,329	-	19	89	128	278	66	99	188	340	419	150	522	196	2,494	3,823
2033 Prin	-	-	10,270	10,270	-	-	1,220	1,140	1,725	410	535	1,070	1,690	1,845	660	2,055	770	13,120	23,390
Int	-	-	1,047	1,047	-	-	61	104	241	57	88	165	303	379	136	477	179	2,190	3,237
2034 Prin	-	-	10,555	10,555	-	-	1,250	1,165	1,765	420	550	1,095	1,725	1,885	675	2,100	790	13,420	23,975
Int	-	-	758	758	-	-	31	79	203	48	76	141	265	338	121	432	162	1,895	2,653

See Independent Auditor's Report on Supplementary Information.

BOARD OF WATER AND SEWER COMMISSIONERS OF THE CITY OF MOBILE

SCHEDULE OF FUTRUE DEBT PAYMENTS- REVENUE BONDS (CONTINUED)

(In Thousands)

December 31, 2021

2035 Prin	-	-	10,840	10,840	-	-	-	1,195	1,805	430	560	1,120	1,765	1,925	690	2,150	805	12,445	23,285
Int	-	-	460	460	-	-	-	53	164	39	64	116	227	296	106	385	144	1,594	2,054
2036 Prin	-	-	11,145	11,145	-	-	-	1,220	1,845	440	570	1,145	1,805	1,970	705	2,195	825	12,720	23,865
Int	-	-	155	155	-	-	-	27	125	30	52	92	188	253	90	337	126	1,321	1,476
2037 Prin	-	-	-	-	-	-	-	-	1,885	450	585	1,170	1,845	2,015	720	2,245	840	11,755	11,755
Int	-	-	-	-	-	-	-	-	84	20	39	66	147	209	75	288	108	1,037	1,037
2038 Prin	-	-	-	-	-	-	-	-	1,925	460	600	1,195	1,885	2,060	735	2,295	860	12,015	12,015
Int	-	-	-	-	-	-	-	-	43	10	26	40	106	165	59	238	89	776	776
2039 Prin	-	-	-	-	-	-	-	-	-	-	610	1,220	1,925	2,105	750	2,345	880	9,835	9,835
Int	-	-	-	-	-	-	-	-	-	-	13	13	65	119	42	187	70	510	510
2040 Prin	-	-	-	-	-	-	-	-	-	-	-	-	1,970	2,150	770	2,395	900	8,185	8,185
Int	-	-	-	-	-	-	-	-	-	-	-	-	21	72	26	135	51	305	305
2041 Prin	-	-	-	-	-	-	-	-	-	-	-	-	-	2,195	785	2,450	915	6,345	6,345
Int	-	-	-	-	-	-	-	-	-	-	-	-	-	24	9	82	31	145	145
2042 Prin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,500	935	3,435	3,435
Int	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28	10	38	38
Prin	950	7,050	103,040	111,040	1,340	11,435	13,160	14,855	26,265	6,255	8,770	17,535	29,630	34,550	12,345	41,015	15,365	232,520	343,560
Premium	4,921	-	-	4,921	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,921
Total Prin	5,871	7,050	103,040	115,961	1,340	11,435	13,160	14,855	26,265	6,255	8,770	17,535	29,630	34,550	12,345	41,015	15,365	232,520	348,481
Interest	24	185	24,661	24,870	62	1,737	2,189	2,568	5,183	1,234	1,834	3,482	6,249	7,717	2,678	9,675	3,625	48,232	73,102
Premium	(4,921)	-	-	(4,921)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,921)
Total Int	(4,897)	185	24,661	19,949	62	1,737	2,189	2,568	5,183	1,234	1,834	3,482	6,249	7,717	2,678	9,675	3,625	48,232	68,181
Total P & I	\$ 974	\$7,235	\$127,701	\$135,910	\$1,402	\$13,172	\$15,349	\$17,423	\$31,448	\$7,489	\$10,604	\$21,017	\$35,879	\$42,267	\$15,023	\$50,690	\$18,990	\$280,752	\$416,662

See Independent Auditor's Report on Supplementary Information.

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	Water and Sewer Revenue Bonds								State Revolving Fund Revenue Bonds				Total Principal and Interest Requirements - Parity and Subordinated ****	Debt Coverage - Parity and Subordinated *****
	System Revenues *	Operating Expenses **	Annual Net Income ***	Debt Service Principal	Debt Service Interest	Principal and Interest Requirements	Debt Coverage - Parity Debt Only	Subordinated Debt Service Principal	Subordinated Debt Service Interest	Subordinated Debt Principal and Interest Requirements				
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	\$ 10,460,232	\$ 5,183,442	\$ 15,643,674	3.53	\$ 7,530,000	\$ 4,120,227	\$ 11,650,227	\$ 27,293,901	2.02		
2022	\$ 122,394,486	\$ 56,807,353	\$ 65,587,133	\$ 7,057,353	\$ 3,313,125	\$ 10,370,478	6.32	\$ 9,685,000	\$ 5,166,745	\$ 14,851,745	\$ 25,222,223	2.60		

** 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.

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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
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
2022	90,455	\$115,961	\$232,520	\$348,481	\$3,853

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BOARD OF WATER AND 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/mobilecountyalabama>

Assessed Valuation (Real and Personal Property):

<u>Tax Year</u>	<u>City of Mobile</u>	<u>Mobile County</u>
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
2022	\$3,097,178,560	\$5,495,880,320

Source: 2013 through 2022 - Revenue Commissioner's Office

See Independent Auditor's Report on Supplementary Information.

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
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
2022	413,891	52,813	\$ 46,418	\$ 52,464	193,070	2.7%	187,782

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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>
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
2022	5,246	\$243,400	\$213,377	1.78

Source: Alabama Center for Real Estate

See Independent Auditor's Report on Supplementary Information.

BOARD OF WATER AND SEWER COMMISSIONERS OF THE CITY OF MOBILE

**MOBILE COUNTY TOP TEN EMPLOYERS
2022 AND NINE YEARS AGO**

Employer	2022			2013		
	Full-Time Employees	Rank	Percentage of Total Employment	Full-Time Employees	Rank	Percentage of Total Employment
Mobile County Public School System	7,200	1	3.89%	7,250	1	3.96%
Mobile Infirmary Medical Center	6,000	2	3.25%	5,100	3	2.78%
Univ of South Alabama & USA Medical Facilities	5,500	3	2.97%	5,151	2	2.81%
Austal USA	4,900	4	2.65%	3,800	4	2.07%
City of Mobile	2,200	5	1.19%	2,323	5	1.27%
PCH Hotels & Resorts	2,000	6	1.08%	-	-	
CPSI	2,000	7	1.08%	-	-	
AM/NS Calvert (formerly ThyssenKrupp Steel)	1,600	8	0.87%	1,490	8	0.81%
Altapointe	1,450	9	0.78%	-	-	
Airbus	1,400	10	0.76%	-	-	
Mobile County	-	-		1,650	6	0.90%
Providence Hospital	-	-		1,550	7	0.85%
ST Aerospace Mobile	-	-		1,300	9	0.71%
Springhill Medical Center	-	-		1,200	10	0.66%
Totals	34,250		18.53%	30,814		16.82%
Total Number of Employees - All Mobile County Employers	184,874			183,171		

Source: Mobile Area Chamber of Commerce

See Independent Auditor's Report on Supplementary Information.

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) High Level Elevation (Date)		Spillway Release (Billion Gallons)	(4) Average Pumping Rate (MGD)
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
2021-2022	74.20	67.63	108.10	(8/29)	111.00	(8/31)	54.99	54.89
10 Year Average	66.55	66.73	108.13		110.97		42.52	54.19

(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)

See Independent Auditor's Report on Supplementary Information.

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, 2022

		<u>E. M. STICKNEY</u> <u>WATER FILTRATION</u> <u>FACILITY</u>	<u>H. E. MYERS WATER</u> <u>FILTRATION</u> <u>FACILITY</u>	<u>COMBINED WATER</u> <u>FILTRATION</u> <u>FACILITIES</u>
January	Total Million Gallons:	795.90	349.75	1,145.65
	Daily Average:	25.67	11.28	36.96
	Daily Maximum:	29.93	11.97	41.90
	Daily Minimum:	21.68	10.75	32.43
February	Total Million Gallons:	721.67	307.22	1,028.88
	Daily Average:	25.77	10.97	36.75
	Daily Maximum:	30.11	11.48	41.59
	Daily Minimum:	23.08	10.42	33.51
March	Total Million Gallons:	763.75	337.94	1,101.69
	Daily Average:	24.64	10.90	35.54
	Daily Maximum:	28.58	12.07	40.65
	Daily Minimum:	19.70	9.17	28.87
April	Total Million Gallons:	771.35	347.12	1,118.48
	Daily Average:	25.71	11.57	37.28
	Daily Maximum:	28.67	12.18	40.85
	Daily Minimum:	21.39	10.62	32.00
May	Total Million Gallons:	833.84	406.55	1,240.38
	Daily Average:	26.90	13.11	40.01
	Daily Maximum:	32.81	17.52	50.34
	Daily Minimum:	20.79	10.97	31.76
June	Total Million Gallons:	945.38	340.11	1,285.49
	Daily Average:	31.51	11.34	42.85
	Daily Maximum:	35.88	11.94	47.82
	Daily Minimum:	22.72	10.46	33.18
July	Total Million Gallons:	884.00	360.16	1,244.16
	Daily Average:	28.52	11.62	40.13
	Daily Maximum:	36.08	15.03	51.11
	Daily Minimum:	23.87	10.58	34.46
August	Total Million Gallons:	898.05	345.21	1,243.26
	Daily Average:	28.97	11.14	40.11
	Daily Maximum:	34.66	12.66	47.33
	Daily Minimum:	21.75	10.43	32.18
September	Total Million Gallons:	892.05	351.81	1,243.87
	Daily Average:	29.74	11.73	41.46
	Daily Maximum:	35.08	12.56	47.64
	Daily Minimum:	25.53	10.93	36.46
October	Total Million Gallons:	903.04	424.68	1,327.72
	Daily Average:	29.13	13.70	42.83
	Daily Maximum:	35.84	17.79	53.63
	Daily Minimum:	21.79	11.22	33.01
November	Total Million Gallons:	902.17	316.32	1,218.49
	Daily Average:	30.07	10.54	40.62
	Daily Maximum:	35.04	12.49	47.53
	Daily Minimum:	25.34	9.21	34.56
December	Total Million Gallons:	947.58	365.01	1,312.60
	Daily Average:	30.57	11.77	42.34
	Daily Maximum:	45.73	18.56	64.29
	Daily Minimum:	24.77	9.63	34.41
<hr/>		<hr/>		
Annual	Total Million Gallons:	10,258.77	4,251.89	14,510.66
	Daily Average:	28.10	11.64	39.74
	Daily Maximum:	45.73	18.56	64.29
	Daily Minimum:	19.70	9.17	28.87

See Independent Auditor's Report on Supplementary Information.

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.)
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
2022	28.11	10,258.77	46.8%	11.65	4,251.89	38.8%	39.76	14,510.66	44.2%	14.51
10 Year Average	26.19	9,563.58	44%	11.37	4,157.33	38%	37.59	13,720.91	42%	13.72

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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)
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
2022	28.0	22.40	65.68	12.8	9.24	22.05
10 Year Average	28.0	24.2	68.3	12.8	9.5	26.6

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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)	Construct ed Daily Capacity (MGD)	Avg. Daily Flow (MGD)	Peak Daily Flow (MGD)
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
2022	0.060	0.0140	0.0220	N/A	N/A	N/A	0.020	0.0035	0.0098
10 Year Average	0.060	0.015	0.037	0.056	0.050	0.071	0.020	0.004	0.009

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BOARD OF WATER AND SEWER COMMISSIONERS OF THE CITY OF MOBILE

C.C. WILLIAMS WWTF 2022 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	26.59	117,486	208,615	186,292	0.87	1,840	560	71	270	896,000	55,000
	Min	13.33	12,501	98,200	26,200	0.09	720	200	31	200	34	15
	Avg	18.24	66,331	133,062	102,149	0.47	1,190	418	49	218	173,641	18,471
February	Max	32.25	110,871	199,886	171,036	0.92	1,920	740	73	200	942,000	50,000
	Min	18.67	2,200	-	2,960	-	620	220	38	-	-	13
	Avg	21.03	64,922	84,548	84,949	0.08	949	397	57	29	208,657	17,755
March	Max	38.28	137,484	226,866	250,888	1.56	1,780	550	76	270	836,000	45,000
	Min	17.93	2,023	4,913	126	0.06	500	220	42	150	71	9
	Avg	21.76	69,404	129,505	87,728	0.41	1,083	385	64	224	148,115	14,626
April	Max	51.58	128,256	134,752	204,452	1.40	2,240	580	82	400	879,000	30,000
	Min	20.23	8,701	63,234	45,360	0.01	770	310	58	200	3,000	4,000
	Avg	23.15	69,332	117,292	95,518	0.74	1,258	399	71	270	242,415	15,833
May	Max	65.68	122,616	157,144	144,000	2.80	1,680	520	88	500	767,000	27,000
	Min	16.36	15,701	62,072	12,720	0.28	520	300	73	225	453	7,000
	Avg	24.05	58,961	108,607	69,418	1.12	1,049	393	79	282	206,703	14,741
June	Max	65.68	122,616	157,144	144,000	2.80	1,680	520	88	500	767,000	27,000
	Min	16.36	15,701	62,072	12,720	0.28	520	300	73	225	453	7,000
	Avg	24.05	58,961	108,607	69,418	1.12	1,049	393	79	282	206,703	14,741
July	Max	40.77	97,422	145,061	140,815	2.60	1,400	480	89	300	655,000	18,000
	Min	17.10	2,900	33,231	166	0.01	660	280	76	200	17	14
	Avg	23.04	42,290	78,948	55,850	0.62	1,083	391	83	255	89,294	10,946
August	Max	55.57	87,575	127,206	164,861	2.70	1,900	440	86	275	720,000	17,000
	Min	19.44	5,341	11,960	82	0.02	800	220	74	75	9	11
	Avg	31.98	42,169	87,846	59,050	0.64	1,402	373	80	223	144,061	9,231
September	Max	22.72	148,015	163,898	160,331	0.29	1,520	520	89	270	634,000	15,000
	Min	18.57	6,400	48,750	132	0.29	560	340	69	200	2	14
	Avg	20.82	58,353	116,300	58,417	0.29	912	406	79	240	76,348	8,772
October	Max	32.43	211,535	128,417	125,691	2.15	2,600	520	79	250	690,000	17,000
	Min	13.31	5,552	2,200	51	0.12	780	300	53	200	46	14
	Avg	19.12	60,996	91,006	38,914	0.95	1,159	413	69	225	260,752	13,065
November	Max	37.73	164,987	226,832	166,806	1.45	1,620	540	74	270	660,000	14,000
	Min	15.06	6,700	48,456	18	0.15	560	120	42	200	3	14
	Avg	20.80	56,208	116,487	71,212	0.68	1,046	387	61	244	156,280	6,480
December	Max	37.73	164,987	226,832	166,806	1.45	1,620	540	74	270	660,000	14,000
	Min	15.06	6,700	48,456	18	0.15	560	120	42	200	3	14
	Avg	20.80	56,208	116,487	71,212	0.68	1,046	387	61	244	156,280	6,480
Annual	Max	65.68	211,535	226,866	250,888	2.80	2,600	740	89	500	942,000	55,000
	Min	13.31	2,023	-	18	-	500	120	31	-	-	9
	Avg	22.40	58,678	107,391	71,986	0.65	1,102	395	69	228	172,437	12,595

Note: Permit daily capacity (mgd) is 28.0.

See Independent Auditor's Report on Supplementary Information.

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

**WRIGHT SMITH, JR. WWTF
2022 STATISTICS**

Month		Eff Flow mgd	Rain inches	CL2 lbs	SO2 lbs	Grit ft3
January	Max	11.57	0.81	249	168	-
	Min	6.47	0.15	91	42	-
	Avg	7.73	0.64	159	103	-
February	Max	16.20	0.95	249	203	-
	Min	6.35	-	131	50	-
	Avg	8.19	0.07	185	116	-
March	Max	14.64	1.33	302	273	-
	Min	6.10	-	60	101	-
	Avg	8.34	0.17	183	141	-
April	Max	12.53	1.59	278	237	-
	Min	6.35	0.02	126	90	-
	Avg	8.63	0.91	215	159	-
May	Max	22.05	4.22	308	250	-
	Min	5.89	0.13	180	80	-
	Avg	8.83	1.00	241	147	-
June	Max	11.76	1.00	370	247	-
	Min	7.40	0.08	108	46	-
	Avg	9.76	0.37	239	123	-
July	Max	20.50	2.10	305	277	-
	Min	9.50	-	145	73	-
	Avg	12.03	0.35	226	129	-
August	Max	20.40	2.64	309	165	-
	Min	7.66	0.02	142	72	-
	Avg	13.10	0.75	236	126	-
September	Max	9.20	0.56	310	283	-
	Min	6.90	0.26	115	66	-
	Avg	8.04	0.41	217	142	-
October	Max	15.70	1.40	302	232	-
	Min	6.29	0.30	161	104	-
	Avg	7.79	0.61	217	144	-
November	Max	15.93	1.80	415	222	-
	Min	6.87	0.05	135	71	-
	Avg	8.77	0.66	242	142	-
December	Max	17.35	2.10	434	234	-
	Min	7.60	0.03	137	45	-
	Avg	9.64	0.52	250	144	-
Annual	Max	22.05	4.22	434	283	-
	Min	5.89	-	60	42	-
	Avg	9.24	0.54	217	135	-

Note: Permit daily capacity (mgd) is 12.8.

See Independent Auditor's Report on Supplementary Information.

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

**TOTAL NUMBER OF CUSTOMERS
Last Ten Years**

YEAR	WATER	SEWER	TOTAL
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
2022	86,873	83,946	90,455

See Independent Auditor's Report on Supplementary Information.

BOARD OF WATER AND SEWER COMMISSIONERS OF THE CITY OF MOBILE

TOTAL NUMBER OF EMPLOYEES Last Ten Years

Full time equivalent employees
by function

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Water Supply	3	3	3	3	5	5	6	7	3	3
Water Treatment	26	23	25	25	27	30	30	29	28	35
Wastewater Treatment	36	37	35	36	40	43	43	43	34	40
Transmission and Collection	137	141	139	147	146	159	157	160	115	113
Support Services	47	44	46	46	44	48	47	49	43	37
Supervision, Engineering, Accounting, Collections, and General Expense	142	139	137	139	134	145	145	136	114	102
	<u>391</u>	<u>387</u>	<u>385</u>	<u>396</u>	<u>396</u>	<u>430</u>	<u>428</u>	<u>423</u>	<u>337</u>	<u>330</u>

See Independent Auditor's Report on Supplementary Information.

BOARD OF WATER AND SEWER COMMISSIONERS OF THE CITY OF MOBILE

SCHEDULE OF 2022 CAPITAL IMPROVEMENT PROJECT EXPENDITURES

<u>PROJECT NUMBER</u>	<u>WATER PROJECTS</u>	<u>AMOUNT</u>
3521300	Myers WTP Scada Improvements & System-Wide Water & Wastewater	99,305
3663400	Gaillard Pumping Station Electrical Modification	28,273
10164554	Stickney Finished Water Piping Improvements	17,887
10170707	Myers Solid Handling Improvements	3,597,898
10195981	Stickney Reservoir Improvements	53,063
10199152	Stickney Electrical Upgrade	2,591,215
10315599	Underground Storage Tank Replacement	237,636
10355200	Causeway Water Main River Crossing Replacements	78,370
10358538	Causeway Water Main Replacement	104,255
175668273	Big Creek Lake Dam Hoist and Gate Automation	14,979
M5712-2353	Schillinger Road Water and Sewer Relocation in Mobile County	350,589
M5712-2594	Survey & Identification of 24 Inch Waterline Easement	329,015
M5712-2640	Large Water Line Valves Replacement	29,873
M5712-2673	Mobile River 16" Waterline Replacement	21,193
M5712-2705A	2022 Annual Contract for Water Service Line Identification Under Previous Surfaces	794,595
M5712-2705B	Water Service Line Identification-Phase 2	1,092,981
M5712-2715	Big Creek Lake Boat Wash Facilities	189,847
M5712-2715B	Fox Landing Boat Wash Facility	188,179
M5712-2715C	Fox Landing Boat Wash- Civil Site Work	249,427
M5712-2715D	Fox Landing Boat Wash-Guard Booth	26,950
M5712-2723	Emergency Chlorine Scrubber Replacement at Myers WWTP	46,356
M5712-2727	Tennessee Street Water Relocation	115,013
M5712-2734	Appalachee River Emergency By-Pass	998,230
M5712-2740	Waterline Replacement Roosevelt, Wilkins, Provident, Spring	66,347
VARIOUS	Miscellaneous Water Projects	51,547
		11,373,020
	<u>WASTEWATER PROJECTS</u>	
5610.19	August Lift Station Force Main	928,875
5625.19	Mobile St Lift Station 051 Force Main Upgrade	52,702
5626.19	Hutchens Force Main Re-route	19,028
17049	Robert E Lee W & S Replacement	630
19008	Halls Mill Creek Sewer Abandonment	19,922
19051	Manhole Installation	154,145
20019	Florida Street Sewer Rehabilitation-Phase 1	481,758
21068	2021 Various Sewer Repairs	885,595
100316.28	New Product Review Committee Wastewater	27,490
100316.32	B051A01 System Rehab-Phase I	329,861
100316.35	B051A01 System Rehab - Phase 2	32,432
674299	Three Mile Creek Severe Weather Attenuation Basin	62,339
3197100	Smith WWTP Headworks	1,186,868
3226100	C C Williams Dewatering Facility and Other Improvements	8,087,112
3385400	Three Mile Creek Severe Weather Attenuation Tank Rehabilitation	44,105
3424000	Norton Lane Severe Weather Attenuation Tank and Lift Station	364,908
3677500	2022 Sewer Model Calibration	24,032
395044DR	Dog River Lift Station Relocation	18,309
5613.ALU	Magnolia Grove Lift Station and Force Main	301,575
5619.ALU	C C Williams P3 Digester Dome Repair	532,437
5627.ALU	C C Williams P1 Digester Dome Repair	64,752
AL22009	Meadow Run Court Emergency Sewer Replacement	249,450
CMOB190299	Eslava Creek Trunk Sewer Upgrades	794,720
CMOB190300	Crenshaw Street Lift Station and Sewer Force Main Improvements	1,549,754
M5712-2650	Eslava Creek Force Main Replacement	465,766
	(continued)	

See Independent Auditor's Report on Supplementary Information.

BOARD OF WATER AND SEWER COMMISSIONERS OF THE CITY OF MOBILE

SCHEDULE OF 2022 CAPITAL IMPROVEMENT PROJECT EXPENDITURES

(CONTINUED)

<u>PROJECT NUMBER</u>	<u>WASTEWATER PROJECTS</u>	<u>AMOUNT</u>
M5712-2650 PH-1	Eslava Creek Force Main Replacement Phase 1	9,271,530
M5712-2650 PH-2	Eslava Creek Force Main Replacement Phase 2	7,122,572
M5712-2687	Perch Creek Area CIPP Access Easement	20,943
M5712-2690-2	2021 Annual Contract-Access Roads and Easement Maintenance Year 2	1,032,875
M5712-2692-2	2021 Annual Contract-Manhole Frame - Year 2	17,125
M5712-2694	2021 Annual Contract-CIPP Rehabilitation Public Laterals Year 1	214,171
M5712-2695	Annual Contract For Manhole Rehabilitation	49,788
M5712-2695B	2021 Annual Contract-Manhole Rehabilitation Year 1	543,243
M5712-2696	2021 Annual Contract-CIPP Rehabilitation Large Diameter Sewer Mains Year 1	172,672
M5712-2697	2021 Annual Contract To Install And Replace Sewer Laterals Year 1	109,129
M5712-2700	Perch Creek Sanitary Sewer Trunk Line CIPP	24,355
M5712-2714	2022 Annual Contract-CIPP Small Diameter Sanitary Sewer Rehabilitation	70,301
M5712-2722	2022 Annual Low Pressure Force Main Check Valve Assembly	410,109
M5712-2730	Brooke Court Emergency Sewer Repair	76,086
M5712-2732	2023 Annual Contract For CIPP Rehabilitation of Small Diameter Sanitary Sewer Mains	361,850
M5712-2733	2023 Annual Contract For CIPP Rehabilitation of Large Diameter Sanitary Sewer Mains	600,609
M5712-2741	Various Sewer Line Repairs And Replacement	18,000
VARIOUS	Miscellaneous Wastewater Projects	301,983
		<u>37,095,908</u>
	<u>OTHER PROJECTS</u>	
5622.19	Island Road Tank Panting	460,892
10355207	Stickney WTP Physical Security Improvements	12,690
50108991	Duncan Avenue Water and Sewer Replacement	60,572
2018-3005-18	Texas Street Rehabilitation from Ann Street to Broad Street	1,291,070
2022-201	Automatic Flushers	117,148
2852200-04	Park Forest Scada OT Servers	219,984
2852200-05	Lift Stations VT-Scada Application Development	39,352
5603.ALU	St. Louis Street Development	25,608
AL19102	Scottish Highlands Water and Sewer	20,335
AMOB2100991	MAWSS Lab Renovation	949,950
M0042-4123	Widening Ziegler Boulevard from Athey Road to Forrest Hill Drive	43,857
M5712-2558	Utility Relocation at Dawes and Jeff Hamilton	17,985
M5712-2559	Utility Relocation from Snow Road to Ziegler Boulevard	25,272
	City Project for Right-of-Way Restoration North McGregor Avenue Reconstruction Water and Sewer Replacement	32,130
M5712-2683	Williams Wastewater Treatment Facility High Bay Garage Roof Replacement	86,069
M5712-2716	Various Roof Replacement Water Supply Facilities	131,287
M5712-2718	LED Lights Park Forest Parking	75,250
M5712-2719	Roof Replacement at Big Creek Pumping Station	241,353
M5712-2720	North McGregor Reconstruction Water Replacement	24,768
M5712-2735	Widening McGregor Avenue from Airport Boulevard to Dauphin Street	112,508
NS.15466.000	Miscellaneous Other Projects	15,952
VARIOUS		<u>4,004,034</u>
	<u>TOTAL CAPITAL PROJECT EXPENDITURES - 2022</u>	<u>52,472,962</u>

See Independent Auditor's Report on Supplementary Information.

SINGLE AUDIT SECTION

SmithDukes

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, 2022, 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 27, 2023.

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.

Smith, Duke and Huchalew, LLP

Mobile, Alabama
April 27, 2023

SmithDukes

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

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, 2022. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 design 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.

Smith, Duke and Huchalew, LLP

Mobile, Alabama
April 27, 2023

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

<u>Federal Grantor/Pass-Through Grantor/ Program/or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity identification Number</u>	<u>Federal Expenditures</u>
U.S. Environmental Protection Agency: 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	\$ 35,794,478
Drinking Water State Revolving Fund			
Capitalization Grants for Drinking Water State Revolving Fund	66.468	DWSRF-DL	<u>1,503,427</u>
Total U.S. Environmental Protection Agency			37,297,905
Gulf Coast Ecosystem Restoration Council: Passed through the Alabama Department of Conservation and Natural Resources			
Gulf Coast Ecosystem Restoration Council	87.052	S1P12-PCSS	<u>40,605</u>
Total Gulf Coast Ecosystem Restoration Council			<u>40,605</u>
Total Expenditures of Federal Awards			<u>\$ 37,338,510</u>

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal loan and grant 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, 2022. 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. Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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, 2022**

Section I - Summary of Audit Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weakness(es)?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weakness(es)?	No
Type of audit report issued on compliance for major programs?	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No

Identification of major programs:

<u>Assistance Listing Number:</u>	<u>Name of Federal Program or Cluster:</u>
66.458	Capitalization Grants for Clean Water State Revolving Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 1,120,155
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Auditee qualified as low-risk auditee?	Yes
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**BOARD OF WATER AND SEWER COMMISSIONERS OF THE CITY OF MOBILE,
ALABAMA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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, 2022**

There were no prior year findings reported.