

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

2025 ANNUAL COMPREHENSIVE FINANCIAL REPORT

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, 2025 and 2024**

**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, 2025 AND 2024**

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INTRODUCTORY SECTION



June 1, 2026

Ms. Linda St. John, and Members of the Board
Board of Water and Sewer Commissioners
of the City of Mobile, Alabama
Mobile, Alabama

To the Chair, Members of the Board, and the Citizens of Mobile, AL:

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, 2025. State law and the Board's *Master Trust Indenture* require the Board to publish within 180 days after the end 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, 2025. 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 92,000 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 to Prichard Water Works and the Spanish Fort Water System. Untreated or raw water, also from the reservoir, is provided to the Board's industrial customers. The Board also provides wholesale sewer services.

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 ninth 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 2025, the City of Mobile's unemployment rate was at 2.8% compared to the Alabama's 2.7% and the nation's 4.4%. 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. Phase I of the master is almost complete and MAWSS has started working on Phase II. 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 (WTP) was constructed in 1944. A project is currently ongoing to construct major electrical renovations throughout the plant, with completion in early 2026. A project to renovate the 50-million-gallon reservoir at the E.M. Stickney WTP is ongoing and is also expected to be completed in early 2026. Upgrades to the E.M. Stickney Water Treatment Plant filters and SCADA will begin with a targeted bid date of March 2026 and completion early in 2028. A physical security project for E.M. Stickney WTP is expected to be bid in April 2026 and take one year to complete. A project is currently underway to rehab concrete in the settling basins at the WTP. Renovations to the second floor of the Low Head Pump Building have been delayed and are expected to be bid in the second quarter of 2026. The warehouse space on the second floor of the Low Head Pump Building is being converted into a new control room, laboratory, and offices for operations personnel.

At the H.E. Myers Water Treatment Plant, a project to upgrade SCADA and electronic security has just begun and will be completed in early 2027.

The predominant cause of sanitary sewer overflows (SSOs) in MAWSS's aging collection system is storm water inflow and infiltration through defects in the 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 the need to expend resources, 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 are under construction with completion expected in the third quarter of 2026.

Wastewater treatment plant-related projects include the Wright Smith, Jr. Wastewater Treatment Plant Electrical Upgrades project, which is bidding in February 2026 and will take approximately 1 year to complete.

A study is ongoing to determine what process improvements are needed at the C.C. Williams Wastewater Treatment Plant for addressing increased nutrient removal capabilities. This study will conclude at the end of 2026 and will be the basis for the design of capacity improvements at the Plant. The anticipated new chlorine and sulfur dioxide building has been put on hold due to cost-prohibitive bids. A redesign of the facility is being considered.

The 4.5-mile Eslava Creek Force Main Replacement project is complete. The Phase 1 process of slip-lining the old force main is complete. Phase 2, the final phase of slip-lining, is under construction with a completion anticipated by the end of 2026. This will conclude all work scheduled for the Eslava Creek Force Main replacement.

A project to construct a toe berm at the base of Big Creek Lake Dam is under construction. Completion of the project is expected by mid-2026. The purpose of the project is to provide additional safety factors to the dam.

The Gaillard Pump Station at J.B. Converse Reserve is currently under design for the replacement of pumps, valves, and pipe fittings. The project is being jointly pursued in a partnership between MAWSS and the U.S. Army Corps of Engineers, which is contributing \$10.5 million to the project. In addition, the 1952 pump station structure will undergo structural upgrades in a separate project to bring it up to current building codes and make it more resistant to hurricane winds.

In June of 2020, the Alabama Department of Environmental Management (“ADEM”) filed suit against MAWSS, alleging that MAWSS caused unpermitted discharges in the form of Sanitary Sewer Overflows (SSOs). MAWSS entered a Consent Order with ADEM and the Alabama Attorney General on October 12, 2021. Civil penalties in the amount of \$954,000 must be paid over a period of 5 years. MAWSS has paid in full the civil penalties. The injunctive relief program is predominantly performing projects identified in the Board’s Master Plan, some of which are mentioned above. The Board is on track to meet the requirements of the injunctive relief by the end of 2026.



Major initiatives

The Board closed on a \$25,420,000 worth of Clean Water SRF loans and \$30,665,000 in Drinking Water SRF loans during 2025 . These funds are part of the previously mentioned efforts to complete Phase II of the Master Plan.

In the second quarter of 2025, The Board submitted supplemental loan applications to ADEM for both a CWSRF loan of \$28,015,000 and a DWSRF loan of \$323,515,000. These loans will close in the first quarter of 2026.

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 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 2025 was \$1,700,000.

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 overfunded the liability at a rate of 128.58%.

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, 2024. This was the twenty fourth 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 completed 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 below.

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, 2024

Christopher P. Morill

Executive Director/CEO

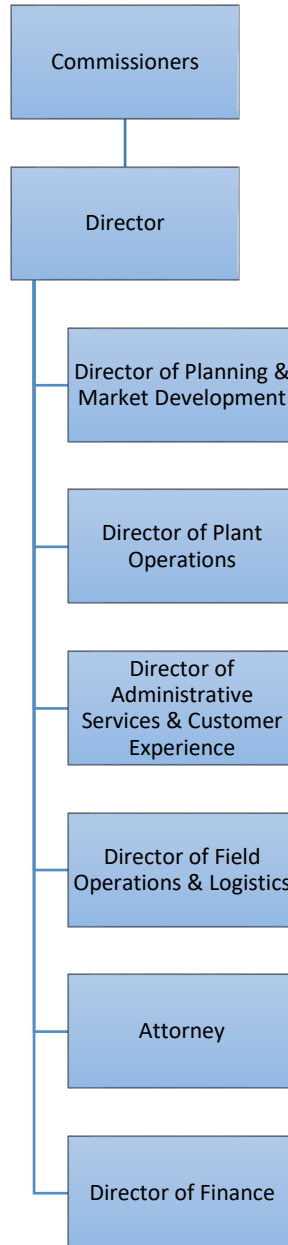
**BOARD OF WATER AND SEWER COMMISSIONERS
OF THE CITY OF MOBILE**

**APPOINTED COMMISSIONERS
DECEMBER 31, 2025**

Barbara Drummond Term	Chair July 7, 2020 to February 2, 2026
Linda St. John Term	Vice Chair December 21, 2021 to December 21, 2027
Jay Weber Term	Secretary-Treasurer January 24, 2023 to January 24, 2029
Raymond Bell Term	Commissioner November 1, 2025 to October 21, 2031
John Williams Term	Commissioner April 20, 2023 to April 01, 2029
Thomas Zohgby Term	Commissioner March 23, 2021 to October 01, 2026
Maria Gonzalez Term	Commissioner April 4, 2020 to April 28, 2026

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

**ORGANIZATION CHART
December 31, 2025**



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

**LIST OF SELECTED ADMINISTRATIVE STAFF
DECEMBER 31, 2025**

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	Director of Finance
Mitch Jackson	Customer Operations Manager
Monica Allen	Public Affairs Manager
Russell Lomax	Water and Sewer Operations Manager
Markus Moore	Engineer II

FINANCIAL SECTION



SmithDukes

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 years ended December 31, 2025 and 2024, 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, 2025 and 2024, 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 12 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 67 through 69 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 May 26, 2026 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.

Smith, Duke and Huchalew, LLP

Mobile, Alabama
May 26, 2026

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, 2025. Please read it in conjunction with the transmittal letter, beginning on page i, and the Board's financial statements which begin on page 13.

Financial Highlights

The following are financial highlights of the Board for the year ending December 31, 2025:

- The assets and deferred outflows of resources of the Board exceeded its liabilities and deferred inflows of resources at the close of 2025 and 2024 by \$593.2 million (net position) and \$555.9 million (net position), respectively. Of these amounts, unrestricted net position was \$49.4 million and \$41.5 million as of December 31, 2025 and 2024, 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 2025, the OPEB liability was overfunded by \$4.9 million. After adopting GASB Statement No. 68, which required the recording of the unfunded pension liability in the amount of \$31 million as of December 31, 2015, the Board had a negative unrestricted net position of \$(8.3) million as of December 31, 2015. However, the Board has designated a total of \$12.6 million over the past ten years to offset this liability and will continue to fund it in the 2026 Budget. The amount of the unfunded liability at the end of 2025 was \$34.1 million.
- The Board's net position increased by \$37.3 million during the current year and by \$34 million during the prior year.
- There was a decrease of \$2 million in operating costs (not including depreciation and capital expenditure) for 2025, or 3%. The decrease in 2025 consists of the following: a decrease of \$4.4 million in supervision and general expenses, an increase of \$847 thousand in support expenses, an increase of \$200 thousand in water supply expenses, and an increase of \$837 thousand in water and wastewater treatment expenses. There was an increase of \$6.6 million in operating costs (not including depreciation and capital expenditure) for 2024, or 10%. The increase in 2024 consists of the following: an increase of \$3.6 million in supervision and general expenses, an increase of \$2.8 million in transmission & collection expenses, an increase of \$400 thousand in water treatment expenses and a slight decrease of \$400 thousand in wastewater treatment expenses.

- 2025 saw an increase of \$3.7 million, or 3%, in operating revenues. This was the result of a 3% rate increase coupled with an increase in miscellaneous fees. Operating revenues in 2024 saw an increase of \$3.9 million, or 3%, in operating revenues. This was the result of a 4% increase in consumption coupled with 3% rate increase.

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 66 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 \$593.2 million at the end of 2025, \$555.9 million at the end of 2024, and \$521.9 million at the end of 2023.

**Condensed Balance Sheets
(In Thousands)**

	2025	Reclassified 2024	2023
	<u> </u>	<u> </u>	<u> </u>
Current assets	\$ 130,595	\$ 114,705	\$ 104,805
Noncurrent assets	121,457	131,525	141,921
Capital assets	850,867	785,998	734,627
Total assets	<u>1,102,919</u>	<u>1,032,228</u>	<u>981,353</u>
 Deferred outflows of resources	 <u>6,589</u>	 <u>8,187</u>	 <u>15,109</u>
 Current liabilities	 54,342	 53,914	 43,405
Noncurrent liabilities	444,440	413,870	421,878
Total liabilities	<u>498,782</u>	<u>467,784</u>	<u>465,283</u>
 Deferred inflows of resources	 <u>17,528</u>	 <u>16,761</u>	 <u>9,303</u>
 Net position:			
Net investment in capital assets	502,849	481,559	467,882
Restricted	40,952	32,853	27,445
Unrestricted	49,396	41,458	26,549
Total net position	<u>\$ 593,197</u>	<u>\$ 555,870</u>	<u>\$ 521,876</u>

The largest portion of the Board's net position (84.8% in 2025, 86.6% in 2024, and 89.7% in 2023) 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, other post employment benefits (OPEB), 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 three years, the Board has budgeted an average of \$34.7 million annually for pay-as-you-go projects and major repairs and replacements to the system.

The Board's Unrestricted Net Position increased by \$7.9 million during 2025 compared to an increase of \$14.9 million in 2024. An increase in current assets and a decrease in the net pension liability played a role in why there was an increase in unrestricted net position during 2025. 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)

	<u>2025</u>	<u>2024</u>	<u>2023</u>
REVENUES			
Operating revenues, pledged as security:			
Water sales	\$ 55,015	\$ 53,992	\$ 52,161
Sewer charges	84,838	82,214	80,056
Total operating revenues	<u>139,853</u>	<u>136,206</u>	<u>132,217</u>
Non-operating revenues:			
Investment earnings	3,735	4,112	3,821
Miscellaneous and sale of property	814	(806)	(572)
Total non-operating revenues	<u>4,549</u>	<u>3,306</u>	<u>3,249</u>
Total revenues	144,402	139,512	135,466
EXPENSES			
Operating expenses:			
Water and sewer services	45,330	43,829	40,952
Support services	5,566	4,720	4,532
Supervision and general expenses	20,096	24,461	20,853
Restricted accounts expense	2,539	2,929	37
Depreciation expense	28,023	26,543	25,580
Total operating expenses	<u>101,554</u>	<u>102,482</u>	<u>91,954</u>
Non-operating expenses	<u>9,675</u>	<u>8,908</u>	<u>11,560</u>
Total expenses	<u>111,229</u>	<u>111,390</u>	<u>103,514</u>
Income before contributions	33,173	28,122	31,952
Capital grants and contributions	<u>4,155</u>	<u>5,871</u>	<u>1,053</u>
Change in net position	37,328	33,993	33,005
Net position - beginning of year	555,869	521,876	488,871
Net position - end of year	<u>\$ 593,197</u>	<u>\$ 555,869</u>	<u>\$ 521,876</u>

Net position increased by \$37.3 million in 2025, \$34 million in 2024, and \$33.0 million in 2023. Key elements of the changes are as follows:

Revenue:

- For 2025, operating revenues increased from \$136.2 million to \$139.9 million, an increase of \$3.7 million, or 3%. Although volumetric potable water sales were down, other miscellaneous fees and charges increased. MAWSS also implemented a 3% rate increase during 2025.
- For 2024, operating revenues increased from \$132.2 million to \$136.2 million, an increase of \$4 million, or 3%. Volumetric potable water sales were up 4% and the increase in rate fees caused revenues to increase in 2024.

Expenses:

- Operating expenses decreased by \$900 thousand, or 1% in 2025. There was a decrease of \$4.4 million in supervision and general expenses, an increase in \$2.3 million water, wastewater, and support expenses. There was also an increase in depreciation expense of \$1.5 million.
- Operating expenses increased by \$10.5 million, or 11.4% in 2024. There was an increase of \$2.9 million in both water and wastewater treatment costs, an increase of \$188 thousand in support costs, and an increase of \$3.6 million in supervision and general expenses. There was also an increase in depreciation expense of \$960 thousand.

Capital grants and contributions:

- In 2025, total capital grants and contributions totaled \$4.2 million, which consisted of \$2.9 million in lines accepted and \$1.3 million in principal loan forgiveness.
- In 2024, total capital grants and contributions totaled \$5.9 million, which consisted of \$1.7 million in lines accepted, \$3.1 million ARPA Grant, and \$1.1 million in principal loan forgiveness.

Capital Asset and Debt Administration

Capital assets. The Board's investment in capital assets as of December 31, 2025, and 2024 amounted to \$850.9 million and \$786 million, respectively, net of accumulated depreciation. The investment in capital assets includes land, buildings, infrastructure, machinery and equipment, and timber rights. During 2025, the total increase in the Board's net investment in capital assets was 8.3% compared to the 2024 increase of 7%. Several large projects were bid and awarded in 2025; notably the Eslava Creek Force Main Phase 4 (S) Sliplining Project in the amount of \$10.4 million, Myers Water Treatment Plant Upgrades in the amount of \$4.6 million, Scott Dairy Loop-Dawes Lake Road Sewer Force Main in the amount of \$3.1 million, and E.M. Stickney Water Treatment Plant Structural Rehabilitation Project in the amount of \$2.7 million. A listing of capital project expenditures for 2025 is included in the statistical section.

- Sewer rehabilitation projects accounted for the majority of capital expenditures. A total of \$57,600,584 was spent in 2025 and allocated as follows:
 - Sewer line, mains, and manhole rehabilitation/replacement, \$13,721,645
 - Sewer lift station and decentralization system improvements, \$1,262,879
 - Sewer plant improvements and miscellaneous costs, \$4,049,018
 - Severe Weather Attenuation Basins and Tanks, \$38,567,042

- Water-related project costs for 2025 totaled \$21,113,733. The following items are included in these costs:
 - Water line extensions and improvements, \$21,087,279
 - Other miscellaneous, \$26,454

- Other capital expenditures amounted to \$5,218,351 during 2025 and include the following:
 - Water and sewer combined extensions, \$1,558,986
 - Utility Relocations, and other miscellaneous, \$3,659,365

- Major projects completed and capitalized during 2025 include the following:
 - Mobile River 16” Waterline Replacement, \$5,011,492
 - C.C. Williams Dewatering Facility and Other Improvements, \$27,054,214
 - Three Mile Creek Sewer Upgrade, \$18,879,451
 - Improvements for Defective 36” Water Valve on Moffett Road, \$2,856,890

During 2024, major capital assets events included: sewer rehabilitation projects in the amount of \$43,798,462; water-related project costs totaling \$17,846,394 and other capital expenditure amounts of \$5,493,277.

Capital Assets
(net of accumulated depreciation)

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Water and sewer systems	\$624,850,058	\$570,555,725	\$547,206,338
Vehicles	3,962,336	4,169,504	2,377,451
Equipment and furnishings	7,752,117	6,359,730	5,733,638
Buildings and improvements	21,574,194	18,617,270	18,970,952
Land	13,482,634	13,367,958	12,591,182
Timber rights and other intangibles	1,355,981	1,820,956	2,600,475
SBITA right-of-use asset	728,130	1,160,716	-
Construction in progress	177,161,093	169,945,788	145,147,247
Total	<u>\$850,866,543</u>	<u>\$785,997,647</u>	<u>\$734,627,283</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, 2025, the Board had a total of long-term debt outstanding of \$431.1 million versus \$396 million in 2024, an increase of 9%. This increase is due to the addition of \$25,420,000 in CWSRF loans and \$30,665,000 DWSRF loans less combined reductions of \$20.4 million. The State Revolving fund bonds are subordinate to the Revenue Bonds. All bond debt covenants have been met.

At December 31, 2024, the Board had a total of long-term debt outstanding of \$396 million versus \$389 million in 2023, an increase of 1.8%. This increase is due to the addition of a \$12,015,000 CWSRF loan and \$11,960,000 DWSRF loan less combined reductions of \$16.4 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 57 of this report.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate at December 31, 2025: The City of Mobile at 2.8%, compared to the State of Alabama and the nation at 2.8% and 4.3%, 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

During 2025, the Board conducted a Cost-of-Service study to establish our rates for the next 3 years. The Board had approved the study's findings and implemented a rate increase for 2026. This increase went into effect January 1, 2026.

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 Director of Finance, 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, 2025 and 2024**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2025	2024
CURRENT ASSETS		
Cash and cash equivalents	\$ 81,799,993	\$ 69,605,608
Investments	963,854	500,000
Restricted cash and cash equivalents:		
Revenue bond covenant accounts	25,381,779	21,482,726
Receivables:		
Interest receivable, restricted	89,988	86,699
Interest receivable, unrestricted	786	887
Billed user charges, net of allowance of \$1,635,443 and \$271,413	11,778,800	12,580,581
Unbilled user charges	4,589,862	4,551,430
Miscellaneous	86,361	100,991
Lease receivable	246,425	247,213
Inventory of materials, chemicals, and supplies - at cost	3,726,838	4,011,333
Prepaid expenses	1,930,347	1,537,070
Total current assets	130,595,033	114,704,538
NONCURRENT ASSETS		
Investments	-	429,517
Restricted cash and cash equivalents:		
Capital improvement funds	14,922,728	14,926,017
Receivables:		
Alabama Dept of Environmental Mgmt (ADEM), restricted	93,977,628	104,952,456
Grant proceeds, restricted	4,713,790	8,111,421
Lease receivable, net of current portion	520,154	-
Capital assets:		
Utility plant and equipment	1,229,121,303	1,144,664,379
Less accumulated depreciation and amortization	568,898,487	541,980,478
	660,222,816	602,683,901
Land	13,482,634	13,367,958
Construction in progress	177,161,093	169,945,788
Total capital assets, net of accumulated depreciation	850,866,543	785,997,647
Net other post-employment benefits (OPEB)	4,875,300	414,215
Unamortized regulatory asset	2,446,963	2,691,659
Total noncurrent assets	972,323,106	917,522,932
TOTAL ASSETS	1,102,918,139	1,032,227,470
DEFERRED OUTFLOWS OF RESOURCES		
Deferred bond refunding outflows	1,250,391	1,388,048
Deferred pension outflows	3,713,571	4,081,139
Deferred other post-employment benefits (OPEB) outflows	1,625,031	2,717,765
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,588,993	8,186,952
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,109,507,132	\$ 1,040,414,422

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

STATEMENTS OF NET POSITION - CONTINUED

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	<u>2025</u>	<u>2024</u>
CURRENT LIABILITIES		
Accounts payable	\$ 4,096,952	\$ 3,764,630
Accrued payroll and related withholdings	80,693	913,781
Compensated absences, current portion	3,210,398	3,141,115
Subscription-based information technology arrangements (SBITA), current portion	459,521	425,393
Customer meter deposits	7,107,639	6,922,324
Contingent insurance liability	541,646	728,077
Contracts and retainages payable	11,302,517	13,591,384
Interest payable, funded by restricted assets	4,317,957	4,057,090
Current maturities of revenue bonds payable	<u>23,225,000</u>	<u>20,370,000</u>
Total current liabilities	<u>54,342,323</u>	<u>53,913,794</u>
NONCURRENT LIABILITIES		
Revenue bonds payable	407,910,030	375,584,958
Compensated absences, long-term portion	2,123,764	2,121,282
Subscription-based information technology arrangements (SBITA), long-term portion	348,103	807,624
Net pension liability	<u>34,057,695</u>	<u>35,355,893</u>
Total noncurrent liabilities	<u>444,439,592</u>	<u>413,869,757</u>
TOTAL LIABILITIES	<u>498,781,915</u>	<u>467,783,551</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	7,120,559	7,572,362
Deferred lease inflows	767,052	238,123
Deferred principle forgiveness inflows	-	1,087,600
Deferred grant receipts	4,713,790	5,005,346
Deferred other post-employment benefits (OPEB) inflows	<u>4,926,749</u>	<u>2,857,742</u>
Total deferred inflows of resources	<u>17,528,150</u>	<u>16,761,173</u>
NET POSITION		
Net investment in capital assets	502,849,391	481,558,792
Restricted for		
Debt service	21,076,538	17,438,352
Other bond covenants	15,000,000	15,000,000
Other post employment benefits (OPEB)	4,875,300	414,215
Unrestricted	<u>49,395,838</u>	<u>41,458,339</u>
TOTAL NET POSITION	<u>593,197,067</u>	<u>555,869,698</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	 <u>\$ 1,109,507,132</u>	 <u>\$ 1,040,414,422</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 REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
OPERATING REVENUES PLEDGED AS SECURITY FOR REVENUE BONDS		
Water sales	\$ 55,014,851	\$ 53,992,256
Sewer charges	<u>84,838,337</u>	<u>82,213,880</u>
Total operating revenues	<u>139,853,188</u>	<u>136,206,136</u>
 OPERATING EXPENSES		
Water supply	2,969,947	2,762,263
Water treatment	9,947,406	9,804,462
Wastewater treatment	9,121,007	8,426,592
Transmission and collection	23,291,340	22,835,295
Support services	5,566,376	4,719,817
Supervision and general	20,096,440	24,461,187
Capital improvement fund accounts	2,539,207	2,928,880
Depreciation and amortization	<u>28,023,402</u>	<u>26,543,104</u>
Total operating expenses	<u>101,555,125</u>	<u>102,481,600</u>
 OPERATING INCOME	 <u>38,298,063</u>	 <u>33,724,536</u>
 NON-OPERATING REVENUES (EXPENSES)		
Investment earnings	3,735,176	4,111,842
Miscellaneous rentals and sale of property	564,716	353,156
Gain (loss) on disposal of assets	249,626	(1,159,230)
Interest on capital asset-related debt	(43,156)	(56,927)
Bond interest and amortization expense	(9,605,827)	(8,817,895)
Bond issuance costs	<u>(26,500)</u>	<u>(33,000)</u>
Total non-operating expenses	<u>(5,125,965)</u>	<u>(5,602,054)</u>
 INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	 33,172,098	 28,122,482
 CAPITAL GRANTS AND CONTRIBUTIONS	 <u>4,155,271</u>	 <u>5,871,152</u>
 CHANGE IN NET POSITION	 37,327,369	 33,993,634
 TOTAL NET POSITION - BEGINNING OF YEAR	 <u>555,869,698</u>	 <u>521,876,064</u>
 TOTAL NET POSITION - END OF YEAR	 <u>\$ 593,197,067</u>	 <u>\$ 555,869,698</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, 2025 AND 2024**

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 140,801,852	\$ 138,102,534
Receipts from other sources	3,986,540	371,754
Payments to suppliers	(53,317,722)	(46,500,257)
Payments to employees	(23,619,992)	(21,389,760)
Net cash provided by operating activities	67,850,678	70,584,271
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets and payments on construction projects	(91,230,788)	(72,558,634)
Proceeds from sale of capital assets	249,628	180,166
Proceeds from bonds	65,945,727	35,519,081
Principal paid on bonds	(20,904,927)	(16,970,585)
Principal paid on SBITA liabilities	(425,393)	(393,472)
Interest paid on bonds	(9,100,264)	(8,506,413)
Bond issuance costs	(26,500)	(33,000)
Net cash used in capital and related financing activities	(55,492,517)	(62,762,857)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	3,731,988	4,096,457
Net cash provided by financing activities	3,731,988	4,096,457
 Net increase in cash and cash equivalents	16,090,149	11,917,871
 Cash and cash equivalents, beginning of year - restricted and unrestricted	106,014,351	94,096,480
 Cash and cash equivalents, end of year - restricted and unrestricted	\$ 122,104,500	\$ 106,014,351
 RECONCILIATION OF CASH AND EQUIVALENTS PER STATEMENTS OF CASH FLOWS TO BALANCE SHEETS:		
Cash and cash equivalents, beginning of year:		
Current	\$ 69,605,608	\$ 62,722,466
Restricted	36,408,743	31,374,014
Total	106,014,351	94,096,480
Net increase:		
Current	12,194,385	6,883,142
Restricted	3,895,764	5,034,729
Total	16,090,149	11,917,871
Cash and cash equivalents, end of period:		
Current	81,799,993	69,605,608
Restricted	40,304,507	36,408,743
Total	\$ 122,104,500	\$ 106,014,351

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, 2025 AND 2024**

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	2025	2024
Operating income	\$ 38,298,063	\$ 33,724,536
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	28,023,402	26,543,104
Bad debts	2,092,507	783,457
Miscellaneous non-operating income	564,716	353,156
(Increase) decrease in receivables	2,083,103	982,159
(Increase) decrease in lease receivable	(519,366)	253,604
(Increase) decrease in inventories	284,495	(493,153)
(Increase) decrease in prepaid expenses	(393,277)	366,197
Increase (decrease) in payables	(315,451)	5,696,091
Increase (decrease) in compensated absences	71,765	154,739
Increase (decrease) in lease deferred inflows	528,929	(259,770)
Increase (decrease) in contingent insurance liability	(186,431)	(4,286)
(Increase) decrease in other post employment benefits	(1,299,344)	(1,219,863)
Increase (decrease) in pension liabilities	(1,382,433)	3,704,300
Total adjustments	29,552,615	36,859,735
Net cash provided by operating activities	\$ 67,850,678	\$ 70,584,271
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Lines accepted and contributions for extensions	\$ 4,155,271	\$ 5,871,153
Capital retainage and contracts payable incurred	\$ -	\$ 5,742,847
Loss on disposal of assets	\$ -	\$ (1,159,230)

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, 2025 AND 2024**

	2025	2024
ASSETS		
Cash and cash equivalents	\$ 423,079	\$ 452,392
Receivables:		
Contributions receivable	288,071	304,528
Accrued income	83,767	73,328
Total receivables	371,838	377,856
Investments-at fair value		
Equities:		
Common stock	7,886,857	7,613,032
Mutual funds - equity	2,559,602	1,438,460
Fixed income securities:		
U.S. Government obligations	1,812,701	2,186,331
Mortgage-backed securities	2,939,426	2,461,414
Corporate bonds	4,650,763	3,614,673
International:		
Foreign stock	617,261	649,977
Mutual funds - international	669,992	529,680
Total investments	21,136,602	18,493,567
TOTAL ASSETS	\$ 21,931,519	\$ 19,323,815
NET POSITION		
Net position restricted for OPEB	\$ 21,931,519	\$ 19,323,815

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, 2025 AND 2024**

	2025	2024
ADDITIONS		
Employer contributions	\$ 1,163,185	\$ 1,169,538
Investment income		
Dividends	158,761	146,883
Interest	296,262	240,941
Realized gain	860,926	826,419
Net appreciation in FV of investments	841,861	660,054
Investment expense	(74,575)	(68,954)
Capital gain distributions	215,744	170,804
Other gain	7,482	6,894
Net investment income	2,306,461	1,983,041
Total additions	3,469,646	3,152,579
DEDUCTIONS		
OPEB benefits paid	646,700	899,503
Insurance expenses	215,241	210,606
Total deductions	861,941	1,110,109
NET INCREASE IN NET POSITION	\$ 2,607,705	\$ 2,042,470
NET POSITION RESTRICTED FOR OPEB BEGINNING OF YEAR	\$ 19,323,815	\$ 17,281,345
NET POSITION RESTRICTED FOR OPEB END OF YEAR	\$ 21,931,520	\$ 19,323,815

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, 2025 AND 2024**

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, 2025 AND 2024**

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.

Adoption of New Accounting Pronouncements

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to government’s vulnerabilities due to certain concentrations or constraints. This Statement defines a *concentration* as a lack of diversity related to an aspect of significant inflow or resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government’s highest level of decision-making authority. Concentrations and constraints may limit a government’s ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The Board adopted GASB Statement No. 102 with a date of the initial application of January 1, 2025. The adoption of this Statement did not result in any change to the opening balance of unrestricted net position. Results for the reporting period beginning January 1, 2025 are presented under GASB Statement No. 102. The comparative information has not been restated and continues to be reported under the accounting standards in effect in that reporting period.

Future Adoption of New Accounting Pronouncements - GASB Pronouncements that have been issued but are not yet effective at December 31, 2025

GASB Statement No. 103, *Financial Reporting Model Improvements*; GASB Statement No. 104, *Disclosure of Certain Capital Assets*; GASB Statement No. 105, *Subsequent Events*. 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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Equivalents

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

Investments

The Board's Master Trust Indenture authorizes the Board to invest in obligations of the U.S. Treasury, commercial paper, certificates of deposit, repurchase agreements, and federal obligations and agencies. Any stock owned by the Board was given to the Board either when the company went public or in settlement of an outstanding obligation. Investments are stated at fair value primarily based on bid price at the end of the year.

Valuation of Accounts Receivable

Accounts receivable consist of amounts due from customers primarily for water and sewer charges and are stated at face amount net of an allowance for doubtful accounts of \$1,635,443 and \$271,413 as of December 31, 2025 and 2024, 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.

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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets

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

The Master Trust Indenture dated November 1, 2014 provides for the establishment of separately named accounts including the following: Bond Fund accounts, Reserve Fund accounts, Subordinated Debt Fund accounts, and a Capital Improvement Fund account. The Bond Fund accounts include a separate trust account for each series of bonds outstanding. The money in each such account is used to pay the principal and interest on the respective series of bonds as they become due and payable. The Reserve Fund accounts include a separate trust account for each series of bonds for which such account is provided for in a Supplemental Indenture. The Subordinated Debt Fund accounts include a separate trust account for each separate issue of Subordinated Debt. The money contained in each account shall be used only to pay the principal and interest for each such issue.

There is a special trust fund account designated as the Capital Improvement Fund account. Money in this fund is used only for the purpose of paying the costs of capital improvements or capital-related costs. Only to the extent necessary to prevent an event of default will the money in the Capital Improvement Fund account be used to make required principal and interest payments.

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

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets (continued)

The following is a schedule of restricted assets and liabilities at December 31, 2025 and 2024:

	2025	2024
Assets		
Current assets		
Cash and equivalents	\$ 25,381,779	\$ 21,482,726
Interest receivable	89,988	86,699
Total current assets	25,471,767	21,569,425
Noncurrent assets		
Capital improvement funds	14,922,728	14,926,017
Net other post-employment benefits (OPEB)	4,875,300	414,215
Total noncurrent assets	19,798,028	15,340,232
Total restricted assets	45,269,795	36,909,657
Liabilities		
Current liabilities		
Interest payable	4,317,957	4,057,090
Total restricted liabilities	4,317,957	4,057,090
Net position		
Debt service	21,076,538	17,438,352
Other bond covenants	15,000,000	15,000,000
Other post-employment benefits	4,875,300	414,215
Total restricted net position	40,951,838	32,852,567
Total restricted liabilities and net position	\$ 45,269,795	\$ 36,909,657

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

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.

Capital assets are depreciated/amortized 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
Subscription-based IT arrangements	5 years

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 – Summary of Significant Accounting Policies (continued)

Capital Assets and Accumulated Depreciation (continued)

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

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

Deferred Outflows and Inflows of Resources

The balance sheet reports deferred outflows of resources separately from assets. Deferred outflows of resources represent a consumption of net assets that applies 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 an acquisition of net assets that applies 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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 – Summary of Significant Accounting Policies (continued)

Bond Discounts, Premiums, and Issuance Costs (continued)

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

Compensated Absences

The Board's policy is to permit employees to accumulate earned but unused vacation and sick leave, which will be paid to employees upon separation from the Board's service. All vacation pay is accrued when earned. For employees hired prior to January 1, 2013, 75% of sick leave is payable only to those retiring from the system after 25 years of service at any age or age 60 with 10 years of service. For those employees hired beginning January 1, 2013, the requirements are age 62 with 10 years of service.

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 \$7,107,639 and \$6,922,324 of its investments and unrestricted cash as of December 31, 2025 and 2024 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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 - Summary of Significant Accounting Policies (continued)

Recognition of Revenue

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

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

Operating Revenues and Expenses

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

Taxes

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

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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 - Summary of Significant Accounting Policies (continued)

Pension Plan

Substantially all of the Board's employees are participants in the Employees' Retirement System of Alabama. The Employees' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value.

Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 2 - Deposits and Investments (continued)

Custodial credit risk - deposits. In the case of deposits, this is the risk that, in the event of a bank failure, the Board's deposits may not be returned to it.

The Board requires each depository to be a bank or trust company having capital stock, surplus, and undivided earnings of \$50 million or more. All moneys held in deposit shall be insured or collateralized under the Security for Alabama Funds Enhancement ("SAFE") Program, a mandatory pooled custody account administered by the Alabama State Treasurer for all Alabama public deposits.

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

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

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

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

Level 1 Measurements

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 2 - Deposits and Investments (continued)

Level 2 Measurements

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Measurements

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value measurements of the Board’s investments at December 31, 2025 and 2024 are as follows:

2025	Level 1	Total
Certificates of Deposit	446,063	\$ 446,063
2024	Level 1	Total
Certificates of Deposit	429,517	\$ 429,517

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 2 - Deposits and Investments (continued)

The fair value measurements of investments held by the Board's OPEB Trust at December 31, 2025 and 2024 are as follows:

2025	Level 1	Level 2	Total
Common Stock	\$ 7,886,856	\$ -	\$ 7,886,856
Mutual Funds - Equity	2,559,602	-	2,559,602
U.S. Government Obligations	1,812,701	-	1,812,701
Mortgage Backed Securities	-	2,939,426	2,939,426
Corporate Bonds	-	4,650,763	4,650,763
Foreign Stock	617,261	-	617,261
Mutual Funds - International	669,992	-	669,992
Total	<u>\$ 13,546,412</u>	<u>\$ 7,590,189</u>	<u>\$21,136,601</u>

2024	Level 1	Level 2	Total
Common Stock	\$ 6,533,887	\$ -	\$ 6,533,887
Mutual Funds - Equity	2,517,605	-	2,517,605
U.S. Government Obligations	2,186,331	-	2,186,331
Mortgage Backed Securities	-	2,461,414	2,461,414
Corporate Bonds	-	3,614,673	3,614,673
Foreign Stock	649,977	-	649,977
Mutual Funds - International	529,680	-	529,680
Total	<u>\$ 12,417,480</u>	<u>\$ 6,076,087</u>	<u>\$18,493,567</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, 2025 AND 2024**

NOTE 3 - Capital Assets and Accumulated Depreciation (continued)

Capital asset activity for the year ended December 31, 2025 is as follows:

<u>Capital Assets</u>	<u>1/1/2025</u>	<u>Additions</u>	<u>Transfers / Deletions</u>	<u>12/31/2025</u>
Capital assets not being depreciated				
Land	\$ 13,367,958	\$ 114,676	\$ -	\$ 13,482,634
Construction in progress	169,945,788	84,591,734	77,376,429	177,161,093
	<u>183,313,746</u>	<u>84,706,410</u>	<u>77,376,429</u>	<u>190,643,727</u>
Capital assets being depreciated:				
Buildings and improvements	31,421,596	3,744,966	7,979	35,158,583
Equipment and furniture	37,958,131	3,887,721	229,468	41,616,384
Vehicles	14,143,446	1,145,870	867,947	14,421,369
Water and sewer systems	1,052,084,849	76,783,761	-	1,128,868,610
Timber rights and other intangibles	6,669,616	-	-	6,669,616
SBITA right-of-use asset	2,386,741	-	-	2,386,741
	<u>1,144,664,379</u>	<u>85,562,318</u>	<u>1,105,394</u>	<u>1,229,121,303</u>
Less accumulated depreciation and amortization:				
Buildings and improvements	12,804,326	788,041	7,978	13,584,389
Equipments and furniture	31,598,401	2,495,334	229,468	33,864,267
Vehicles	9,973,942	1,353,038	867,947	10,459,033
Water and sewer systems	481,529,124	22,489,428	-	504,018,552
Timber rights and other intangibles	4,848,660	464,975	-	5,313,635
SBITA right-of-use asset	1,226,025	432,586	-	1,658,611
	<u>541,980,478</u>	<u>28,023,402</u>	<u>1,105,393</u>	<u>568,898,487</u>
Total capital assets being depreciated, net	<u>602,683,901</u>	<u>57,538,916</u>	<u>1</u>	<u>660,222,816</u>
Capital assets, net	<u>\$ 785,997,647</u>	<u>\$ 142,245,326</u>	<u>\$ 77,376,430</u>	<u>\$ 850,866,543</u>

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 3 - Capital Assets and Accumulated Depreciation (continued)

Capital asset activity for the year ended December 31, 2024 is as follows:

<u>Capital Assets</u>	<u>1/1/2024</u>	<u>Additions</u>	<u>Transfers / Deletions</u>	<u>12/31/2024</u>
Capital assets not being depreciated:				
Land	\$ 12,591,182	\$ 776,776	\$ -	\$ 13,367,958
Construction in progress	145,147,248	69,545,622	44,747,082	169,945,788
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets not being depreciated	157,738,430	70,322,398	44,747,082	183,313,746
Capital assets being depreciated:				
Buildings and improvements	31,020,849	424,981	24,234	31,421,596
Equipment and furniture	38,080,838	2,970,791	3,093,498	37,958,131
Vehicles	12,581,447	2,904,542	1,342,543	14,143,446
Water and sewer systems	1,007,906,830	46,294,477	2,116,458	1,052,084,849
Timber rights and other intangibles	5,562,225	1,107,391	-	6,669,616
SBITA right-of-use asset	2,386,741	-	-	2,386,741
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets being depreciated	1,097,538,930	53,702,182	6,576,733	1,144,664,379
Less accumulated depreciation and amortization:				
Buildings and improvements	12,049,897	771,722	17,293	12,804,326
Equipments and furniture	32,347,200	2,258,226	3,007,025	31,598,401
Vehicles	10,203,996	1,112,488	1,342,542	9,973,942
Water and sewer systems	460,700,493	21,674,474	845,843	481,529,124
Timber rights and other intangibles	4,555,052	293,608	-	4,848,660
SBITA right-of-use asset	793,439	432,586	-	1,226,025
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	520,650,077	26,543,104	5,212,703	541,980,478
Total capital assets being depreciated, net	576,888,853	27,159,078	1,364,030	602,683,901
Capital assets, net	<u>\$ 734,627,283</u>	<u>\$ 97,481,476</u>	<u>\$ 46,111,112</u>	<u>\$ 785,997,647</u>

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

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 years ended December 31, 2025 and 2024 were as follows (in thousands):

	<u>1/1/2025</u>	<u>Additions</u>	<u>Amortization</u>	<u>12/31/2025</u>
Deferred outflows of resources:				
Deferred charge on bond refunding	\$ 1,388	\$ -	\$ (138)	\$ 1,250
Deferred inflows of resources:				
Deferred lease inflows	\$ 238	\$ -	\$ 529	\$ 767
Deferred principle forgiveness inflows	3,018	(3,018)	-	0
Deferred grant receipts	3,075	1,639	-	4,714
	<u>\$ 6,331</u>	<u>\$ (1,379)</u>	<u>\$ 529</u>	<u>\$ 5,481</u>
	<u>1/1/2024</u>	<u>Additions</u>	<u>Amortization</u>	<u>12/31/2024</u>
Deferred outflows of resources:				
Deferred charge on bond refunding	\$ 1,526	\$ -	\$ (138)	\$ 1,388
Deferred inflows of resources:				
Deferred lease inflows	\$ 498	\$ -	\$ (260)	\$ 238
Deferred principle forgiveness inflows	2,163	855	-	3,018
Deferred grant receipts	3,075	-	-	3,075
	<u>\$ 5,736</u>	<u>\$ 855</u>	<u>\$ (260)</u>	<u>\$ 6,331</u>

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 15 trustees. Act 390 of the Legislature of 2021 created two additional representatives to the ERS Board of Control effective October 1, 2021. 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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 5 - Pension Plan (continued)

General Information about the Pension Plan (continued)

The ERS Board of Control consists of 15 trustees as follows:

1. The Governor, ex-officio.
2. The State Treasurer, ex-officio.
3. The State Personnel Director, ex-officio
4. The State Director of Finance, ex-officio.
5. Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex-officio trustee is the head.
6. Eight 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. One vested active employee of a participating municipality or city in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - d. One vested active employee of a participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - e. One vested active employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - f. One vested active employee of a participating employer other than a municipality, city or county 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.

**BOARD OF WATER AND SEWER COMMISSIONERS
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**NOTES TO FINANCIAL STATEMENTS
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NOTE 5 - Pension Plan (continued)

General Information about the Pension Plan (continued)

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 (52 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.

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

Act 132 of Legislature of 2019 allowed employees who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and laws enforcement officers. A total of 628 employers adopted Act 2019-132 as of September 30, 2024.

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.

**BOARD OF WATER AND SEWER COMMISSIONERS
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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 5 - Pension Plan (continued)

General Information about the Pension Plan (continued)

The ERS serves approximately 890 local participating employers and one state employer. The ERS membership includes approximately 117,309 participants. As of September 30, 2024, membership consisted of:

	<u>ERS</u>	<u>Board</u>
Retirees and beneficiaries currently receiving benefits	32,477	295
Terminated employees entitled to but not yet receiving benefits	2,425	15
Terminated employees not entitled to a benefit	22,097	55
Active members	60,279	310
Post-DROP participants still in active service	31	-
Total	<u>117,309</u>	<u>675</u>

As of September 30, 2023, membership consisted of:

	<u>ERS</u>	<u>Board</u>
Retirees and beneficiaries currently receiving benefits	31,481	291
Terminated employees entitled to but not yet receiving benefits	2,350	12
Terminated employees not entitled to a benefit	20,556	46
Active members	58,659	301
Post-DROP participants still in active service	33	-
Total	<u>113,079</u>	<u>650</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. 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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 5 - Pension Plan (continued)

General Information about the Pension Plan (continued)

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 certified law enforcement, correctional officers', and firefighters' member contribution rates 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, 2025 and 2024, the Board's active employee contribution rate was 6.78% and 6.84%, respectively, of covered employee payroll, and the Board's average contribution rate to fund the normal and accrued liability costs was 14.70% and 12.50%, respectively, of pensionable payroll.

The Board's contractually required contribution rate for the year ended September 30, 2025, was 15.85% of pensionable pay for Tier 1 employees, and 15.89% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2023, 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 \$3,256,030 and \$2,584,723 for the years ended December 31, 2025 and 2024, respectively.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 5 - Pension Plan (continued)

Net Pension Liability

The Board’s net pension liability study was measured using the measurement dates of September 30, 2025 and 2024. The Board has considered additional liability and contributions through December 31, 2025 and 2024, respectively. The Board has adjusted the net pension liability per valuation made as of the measurement dates of the September 30, 2025 and 2024 valuation to include additional liabilities and contributions made through the Board’s fiscal years ending December 31, 2025 and 2024, respectively.

	2025	2024
Net pension liability per study	\$ 34,314,577	\$ 35,473,043
Roll-forward amounts:		
Additional liabilities	2,795,188	2,224,714
Employer contributions	(3,052,070)	(2,341,864)
	\$ 34,057,695	\$ 35,355,893

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

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, 2024, rolled forward to September 30, 2025, using standard roll-forward techniques as shown in the following table:

	Expected	Actual Before Plan Changes	Actual After Plan Changes
(a) TPL as of September 30, 2024	\$ 124,100,809	\$ 125,627,377	\$ 125,627,377
(b) Discount rate	7.45%	7.45%	7.45%
(c) Entry Age Normal Cost for the period			
October 1, 2024 - September 30, 2025	1,664,690	1,664,690	1,664,690
(d) Transfers Among Employers:	-	(84,952)	(84,952)
(e) Actual Benefit Payments and Refunds for the period			
October 1, 2024 - September 30, 2025	(8,521,382)	(8,521,382)	(8,521,382)
(f) TPL as of September 30, 2025			
= [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	\$ 126,172,206	\$ 127,727,551	\$ 127,727,551
(g) Difference between Expected and Actual:		\$ 1,555,345	
(h) Less Liability Transferred for Immediate Recognition:		\$ (84,952)	
(i) Difference between Expected and Actual - Experience (Gain)/Loss		\$ 1,640,297	
(j) Difference between Actual TPL Before and After Plan Changes - Benefit Change (Gain)/Loss			\$ -

**BOARD OF WATER AND SEWER COMMISSIONERS
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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

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, 2023, rolled forward to September 30, 2024 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual Before Plan Changes</u>	<u>Actual After Plan Changes</u>
(a) TPL as of September 30, 2023	\$ 120,073,586	\$ 121,873,304	\$ 121,873,304
(b) Discount rate	7.45%	7.45%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2023 - September 30, 2024	1,590,941	1,590,941	1,590,941
(d) Transfers Among Employers:	-	143,261	143,261
(e) Actual Benefit Payments and Refunds for the period October 1, 2023 - September 30, 2024	<u>(8,277,907)</u>	<u>(8,277,907)</u>	<u>(8,277,907)</u>
(f) TPL as of September 30, 2024 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	<u>\$ 122,023,750</u>	<u>\$ 124,100,809</u>	<u>\$ 124,100,809</u>
(g) Difference between Expected and Actual:		\$ 2,077,058	
(h) Less Liability Transferred for Immediate Recognition:		\$ 143,261	
(i) Difference between Expected and Actual - Experience (Gain)/Loss		\$ 1,933,797	
(j) Difference between Actual TPL Before and After Plan Changes - Benefit Change (Gain)/Loss			\$ -

Actuarial Assumptions. The total pension liability as of September 30, 2025 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2025. The key actuarial assumptions are summarized below:

Inflation	2.50%
Salary increases	3.25% - 6.00% for State and Local Employees and 4.00% - 7.75% for State Police, including inflation
Investment rate of return	7.45%, net of pension plan investment expense, including inflation

**BOARD OF WATER AND SEWER COMMISSIONERS
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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 5 - Pension Plan (continued)

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 (+)/ Setback (-)</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, 2023 valuation were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2020.

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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 5 - Pension Plan (continued)

The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
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	5.00%	1.50%
Total	<u>100.00%</u>	

* Includes assumed rate of inflation of 2.00%.

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. 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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 5 - Pension Plan (continued)

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2023	\$ 120,073,586	\$ 77,194,057	\$ 42,879,529
Changes for the year:			
Service cost	1,590,941	-	1,590,941
Interest	8,637,130	-	8,637,130
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Difference between expected and actual experience	1,933,798	-	1,933,798
Contributions - employer	-	2,341,864	(2,341,864)
Contributions - employee	-	1,389,791	(1,389,791)
Net investment income	-	15,836,700	(15,836,700)
Benefit payments, including refunds of employee contributions	(8,277,907)	(8,277,907)	-
Administrative expense	-	-	-
Transfers among employers	143,261	143,261	-
Net changes	<u>4,027,223</u>	<u>11,433,709</u>	<u>(7,406,486)</u>
Balances at September 30, 2024	\$ 124,100,809	\$ 88,627,766	\$ 35,473,043
Changes for the year:			
Service cost	1,664,690	-	1,664,690
Interest	8,928,089	-	8,928,089
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Difference between expected and actual experience	1,640,297	-	1,640,297
Contributions - employer	-	3,052,070	(3,052,070)
Contributions - employee	-	1,485,435	(1,485,435)
Net investment income	-	8,854,037	(8,854,037)
Benefit payments, including refunds of employee contributions	(8,521,382)	(8,521,382)	-
Administrative expense	-	-	-
Transfers among employers	(84,952)	(84,952)	-
Net changes	<u>3,626,742</u>	<u>4,785,208</u>	<u>(1,158,466)</u>
Balances at September 30, 2025	<u>\$ 127,727,551</u>	<u>\$ 93,412,974</u>	<u>\$ 34,314,577</u>

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 5 - Pension Plan (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.

	2025		
	1%	Current	1%
	Decrease (6.45%)	Discount Rate (7.45%)	Increase (8.45%)
Plan's Net Pension Liability (Asset)	\$ 48,193,138	\$ 34,314,577	\$ 22,551,403
	2024		
	1%	Current	1%
	Decrease (6.45%)	Discount Rate (7.45%)	Increase (8.45%)
Plan's Net Pension Liability (Asset)	\$ 48,935,214	\$ 35,473,043	\$ 24,066,319

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2025. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2024. The auditor’s report 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 of Resources and Deferred Inflows of Resources Related to Pensions. For the years ended December 31, 2025 and 2024, the Board recognized pension expense of \$1,860,748 and \$6,276,935, respectively.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 5 - Pension Plan (continued)

At December 31, 2025, 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	\$ 3,269,774	\$ 943,978
Changes in assumptions	443,797	-
Net difference between projected and actual earnings on plan investments	-	6,176,581
Employer contributions subsequent to the Measurement Date	817,076	-
Total	<u>\$ 4,530,647</u>	<u>\$ 7,120,559</u>

At December 31, 2024, 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	\$ 3,144,237	\$ 1,818,505
Changes in assumptions	936,902	-
Net difference between projected and actual earnings on plan investments	-	5,753,857
Employer contributions subsequent to the Measurement Date	693,923	-
Total	<u>\$ 4,775,062</u>	<u>\$ 7,572,362</u>

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:	
2027	1,778,857
2028	(2,238,999)
2029	(1,893,503)
2030	(236,267)
Thereafter	-
Total	<u>\$ (2,589,912)</u>

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

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. 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, 2025 and 2024, membership data for the OPEB plan is as follows:

	2025	2024
Inactive plan members or beneficiaries currently receiving benefit payments	217	223
Inactive plan members entitled to but not yet receiving benefit payments	-	-
Active plan members	328	305
Total	545	528

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 6 - Other Post-Employment Benefits (continued)

General Information about the OPEB Plan (continued)

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 \$288,071 and \$304,528 to the Fiduciary Fund for future benefits for 2025 and 2024, respectively. Plan members receiving benefits contributed \$875,114 and \$865,010 of the cost in 2025 and 2024, respectively. The contribution requirements of retirees and the Board are established and may be modified, reduced, or amended by the Board.

Net OPEB Liability

The Board's net OPEB liability was measured as of December 31, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2025.

Actuarial Assumptions. The total OPEB liability in the December 31, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Investment rate of return	5.25%
Salary increases	3.25% to 6.00%, including inflation; varies by years of service.
Healthcare cost trend rates	Starting at 7.50% followed by 6.75% in the second year and gradually decreasing according to the Getzen Model to an ultimate trend rate of 4.00% by 2050.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

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-2021 for non-disabled lives. These tables are based on a mortality study of public pension plans by the Society of Actuaries (SOA).

The total OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	Mid-term: 3.0%, ultimate 2.50%.
Investment rate of return	5.25%
Salary increases	3.25% to 6.00%, including inflation; varies by years of service.
Healthcare cost trend rates	Starting at 6.50% followed by 6.00% in the second year and gradually decreasing according to the Getzen Model to an ultimate trend rate of 4.00% by 2050.

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. These tables are based on a mortality study of public pension plans by the Society of Actuaries (SOA).

Discount Rate. The discount rate used to measure the total OPEB liability at December 31, 2025 and 2024 was 5.25%. The projection of cash flows used to determine the discount rate assumed that the Board's contributions will be made at amounts equal to the actuarially determined contribution. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future OPEB benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

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 (Asset) (a) - (b)
Balances at 12/31/2023	<u>\$ 19,453,011</u>	<u>\$ 17,281,345</u>	<u>\$ 2,171,666</u>
Changes for the year:			
Service cost	157,851	-	157,851
Interest	912,383	-	912,383
Differences between expected and actual experience	-	-	-
Changes of assumptions	(808,064)	-	(808,064)
Contributions - employer	-	1,169,538	(1,169,538)
Net investment income (loss)	-	1,983,041	(1,983,041)
Benefit payments	<u>(805,581)</u>	<u>(1,110,109)</u>	<u>304,528</u>
Net changes	<u>(543,411)</u>	<u>2,042,470</u>	<u>(2,585,881)</u>
Balances at 12/31/2024	\$ 18,909,600	\$ 19,323,815	\$ (414,215)
Changes for the year:			
Service cost	151,296	-	151,296
Interest	985,633	-	985,633
Differences between expected and actual experience	(2,396,949)	-	(2,396,949)
Changes of assumptions	(19,490)	-	(19,490)
Contributions - employer	-	1,163,185	(1,163,185)
Net investment income (loss)	-	2,306,461	(2,306,461)
Benefit payments	<u>(573,871)</u>	<u>(861,941)</u>	<u>288,070</u>
Net changes	<u>(1,853,381)</u>	<u>2,607,705</u>	<u>(4,461,086)</u>
Balances at 12/31/2025	<u>\$ 17,056,219</u>	<u>\$ 21,931,520</u>	<u>\$ (4,875,301)</u>

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 6 - Other Post-Employment Benefits (continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the plan's total OPEB liability, calculated using a discount rate, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	1% Decrease █ (4.25%)	Discount Rate █ (5.25%)	1% Increase █ (6.25%)
Net OPEB liability - 12/31/2025	\$ (3,165,000)	\$ (4,875,301)	\$ (6,323,506)
	1% Decrease █ (4.25%)	Discount Rate (5.25%)	1% Increase (6.25%)
Net OPEB liability - 12/31/2024	\$ 1,272,235	\$ (414,215)	\$ (1,848,816)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB liability - 12/31/2025	\$ (6,385,745)	\$ (4,875,300)	\$ (3,085,127)
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB liability - 12/31/2024	\$ (2,075,442)	\$ (414,215)	\$ 1,544,445

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 6 - Other Post-Employment Benefits (continued)

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

For the year ended December 31, 2025, the Board recognized OPEB income of \$424,230. At December 31, 2025, the Board reported net deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>	<u>Net Deferred (Inflows) of Resources</u>
Differences between expected and actual experience	\$ 452,798	\$ (2,004,007)	\$ (1,551,209)
Changes of assumptions and other inputs	441,589	(535,765)	(94,176)
Net difference between projected and actual earnings on OPEB plan investments	730,644	(2,386,977)	(1,656,333)
Total	<u>\$ 1,625,031</u>	<u>\$ (4,926,749)</u>	<u>\$ (3,301,718)</u>

For the year ended December 31, 2024, the Board recognized OPEB income of \$1,938,851. At December 31, 2024, the Board reported net deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
Differences between expected and actual experience	\$ 639,741	\$ -	\$ 639,741
Changes of assumptions	616,738	(663,767)	(47,029)
Net difference between projected and actual earnings on OPEB plan investments	1,461,286	(2,193,975)	(732,689)
Total	<u>\$ 2,717,765</u>	<u>\$ (2,857,742)</u>	<u>\$ (139,977)</u>

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 6 - Other Post-Employment Benefits (continued)

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at December 31, 2025 will be recognized in OPEB expense as follows:

Year Ended December 31:	Net Deferred Outflows of Resources	Net Deferred Inflows of Resources
2026	\$ -	\$ (268,300)
2027	-	(1,024,276)
2028	-	(833,861)
2029	-	(739,525)
2030	-	(396,135)
Thereafter	-	(39,621)
	\$ -	\$ (3,301,718)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 7 - Health Insurance Claims Liability (continued)

The policy has an unlimited specific maximum per covered person. The actuarial estimate for the Board's claims liability at December 31, 2025 and 2024 of \$259,700 and \$268,600, 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 12/31/2025	Year ended 12/31/2024	Year ended 12/31/2023
Claims liability, beginning of year	\$ 268,600	\$ 343,300	\$ 727,863
Insured claims and expenses	3,476,352	3,684,699	4,689,147
Claims payments	(3,485,252)	(3,759,399)	(5,073,710)
Claims liability, end of year	<u>\$ 259,700</u>	<u>\$ 268,600</u>	<u>\$ 343,300</u>

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

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>2025</u> <u>(in thousands)</u>	<u>2024</u> <u>(in thousands)</u>
Series 2016 \$22,240,000 Water and Sewer Revenue Bonds, issued February 4, 2016, at 1.84%, due annually through August 15, 2025.	\$ -	\$ 900
Series 2022 \$103,040,000 Water and Sewer Revenue Bonds, issued October 6, 2022, at 2.78%, due annually through January 1, 2036.	98,805	102,745
SRF 2012-CWSRF-DL \$20,000,000 Subordinated Revenue Bond issued August 15, 2012, at 2.90%, due annually through February 15, 2032.	8,345	9,405
SRF 2014-CWSRF-DL \$20,010,000 Subordinated Revenue Bond issued August 15, 2014, at 2.45%, due annually through August 15, 2034.	10,220	11,225
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.	12,050	13,005
SRF 2018-CWSRF \$31,510,000 Subordinated Revenue Bond issued November 1, 2018, at 2.20%, due annually through August 15, 2038.	22,020	23,465

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 8 - Bonds Payable (continued)

	<u>2025</u> <u>(in thousands)</u>	<u>2024</u> <u>(in thousands)</u>
SRF 2018-DWSRF \$7,510,000 Subordinated Revenue Bond issued November 1, 2018, at 2.20%, due annually through August 15, 2038.	5,245	5,590
SRF 2019-CWSRF \$10,010,000 Subordinated Revenue Bond issued November 1, 2019, at 2.20%, due annually through August 15, 2039.	7,450	7,900
SRF 2019-DWSRF \$20,010,000 Subordinated Revenue Bond issued August 1, 2019, at 2.20%, due annually through February 15, 2039.	14,895	15,795
SRF 2020-CWSRF \$32,260,000 Subordinated Revenue Bond issued February 15, 2020, at 2.20%, due annually through February 15, 2040.	25,460	26,880
SRF 2021-CWSRF \$36,000,000 Subordinated Revenue Bond issued March 1, 2021, at 2.20%, due annually through February 15, 2041.	30,000	31,550
SRF 2021-DWSRF \$32,260,000 Subordinated Revenue Bond issued March 1, 2021, at 2.20%, due annually through February 15, 2041.	10,720	11,275
SRF 2022-CWSRF \$41,015,000 Subordinated Revenue Bond issued February 15, 2022, at 2.20%, due annually through February 15, 2042.	35,940	37,670
SRF 2022-DWSRF \$15,365,000 Subordinated Revenue Bond issued February 15, 2022, at 2.20%, due annually through February 15, 2042.	13,465	14,110
SRF 2023-CWSRF \$36,845,000 Subordinated Revenue Bond issued March 1, 2023, at 1.99%, due annually through February 15, 2043.	33,775	35,325

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 8 - Bonds Payable (continued)

	<u>2025</u> <u>(in thousands)</u>	<u>2024</u> <u>(in thousands)</u>
SRF 2023-DWSRF-A \$2,210,000 Subordinated Revenue Bond issued March 1, 2023, at 1.99%, due annually through February 15, 2043.	2,025	2,120
SRF 2023-DWSRF-B \$4,715,000 Subordinated Revenue Bond issued March 1, 2023, at 1.99%, due annually through February 15, 2043.	4,320	4,520
SRF 2023-DWSRF-C \$6,520,000 Subordinated Revenue Bond issued March 1, 2023, at 1.99%, due annually through February 15, 2043.	5,975	6,250
SRF 2023-DWSRF-D \$7,345,000 Subordinated Revenue Bond issued March 1, 2023, at 1.99%, due annually through February 15, 2043.	6,730	7,040
SRF 2023-DWSRF-E \$1,435,000 Subordinated Revenue Bond issued March 1, 2023, at 1.99%, due annually through February 15, 2043.	1,315	1,375
SRF 2024-CWSRF \$12,015,000 Subordinated Revenue Bond issued August 15, 2024, at 1.99%, due annually through February 15, 2044.	11,520	12,015
SRF 2024-DWSRF-A \$7,570,000 Subordinated Revenue Bond issued August 15, 2024, at 2.20%, due annually through February 15, 2044.	7,265	7,570
SRF 2024-DWSRF-B \$4,390,000 Subordinated Revenue Bond issued August 15, 2024, at 2.20%, due annually through February 15, 2044.	4,210	4,390
SRF 2025-CWSRF-A \$10,110,000 Subordinated Revenue Bond issued March 10, 2025, at 1.99%, due annually through February 15, 2045.	10,110	-

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 8 - Bonds Payable (continued)

	2025 (in thousands)	2024 (in thousands)
SRF 2025-CWSRF-B \$15,310,000 Subordinated Revenue Bond issued March 10, 2025, at 1.99%, due annually through February 15, 2045.	15,310	-
SRF 2025-DWSRF-A \$1,710,000 Subordinated Revenue Bond issued March 10, 2025, at 1.99%, due annually through February 15, 2045.	1,710	-
SRF 2025-DWSRF-B \$8,945,000 Subordinated Revenue Bond issued March 10, 2025, at 1.99%, due annually through February 15, 2045.	8,945	-
SRF 2025-DWSRF-C \$20,010,000 Subordinated Revenue Bond issued March 10, 2025, at 1.99%, due annually through February 15, 2045.	20,010	-
Subtotal	\$ 427,835	\$ 392,120
Plus: bond premium	3,300	3,835
Total bonds payable	\$ 431,135	\$ 395,955

The following is a schedule of maturities of bonds payable:

	Principal (In thousands)	Interest (In thousands)	Total (In thousands)
Years Ending December 31,			
2026	\$ 23,225	\$ 9,591	\$ 32,816
2027	24,780	9,033	33,813
2028	25,360	8,448	33,808
2029	28,600	7,812	36,412
2030	29,285	7,042	36,327
2031-2035	151,900	24,851	176,751
2036-2040	102,745	9,223	111,968
2041-2045	41,940	1,550	43,490
Subtotals	427,835	77,550	505,385
Plus: bond premium	3,300	(3,300)	-
Total bonds payable	\$ 431,135	\$ 74,250	\$ 505,385

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 8 - Bonds Payable (continued)

Subordinated Water and Sewer Revenue Bond Series 2025-CWSRF-DL

On March 10, 2025, the Board issued two Subordinated Water and Sewer Revenue Bond totaling \$25,420,000 at 1.99% each. The funds will be used for improvements to the sanitary sewer system and treatment facilities.

Series 2025-CWSRF-A-DL	\$ 10,110,000
Series 2025-CWSRF-B-DL	\$ 15,310,000

Subordinated Water and Sewer Revenue Bond Series 2025-DWSRF-DL

On March 10, 2025, the Board issued three Subordinated Water and Sewer Revenue Bonds totaling \$30,665,000 at 1.99% each. The funds will be used for various water infrastructure improvements.

Series 2025-A-DWSRF-DL	\$ 1,710,000
Series 2025-B-DWSRF-DL	\$ 8,945,000
Series 2025-C-DWSRF-DL	\$ 20,010,000

NOTE 9 - Changes in Noncurrent Liabilities

Activity of noncurrent liabilities for the year ended December 31, 2025 and 2024 was as follows (in thousands):

	1/1/2025	Additions	Reductions	12/31/2025	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 102,030	\$ -	\$ 3,225	\$ 98,805	\$ 5,060
SRF bonds	290,090	56,085	17,145	329,030	18,165
Plus: Bond premium	3,835	-	535	3,300	508
Total bonds payable	395,955	56,085	20,905	431,135	23,733
Compensated absences	5,262	72		5,334	3,210
SBITA liabilities	1,233	-	425	808	460
Net pension liability	42,660		8,602	34,058	-
OPEB	(414)	-	4,461	(4,875)	-
Noncurrent liabilities	\$ 444,696	\$ 56,157	\$ 34,394	\$ 466,459	\$ 27,403

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 9 - Changes in Noncurrent Liabilities (continued)

	1/1/2024	Additions	Reductions	12/31/2024	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 103,555	\$ -	\$ 1,525	\$ 102,030	\$ 1,525
SRF bonds	281,020	23,975	14,905	290,090	14,905
Plus: Bond premium	4,376	-	541	3,835	545
Total bonds payable	<u>388,951</u>	<u>23,975</u>	<u>16,971</u>	<u>395,955</u>	<u>16,975</u>
Compensated absences	5,108	154		5,262	3,141
SBITA liabilities	1,626	-	393	1,233	425
Net pension liability	43,933		1,273	42,660	-
OPEB	2,172	-	2,586	(414)	-
Noncurrent liabilities	<u>\$ 441,790</u>	<u>\$ 24,129</u>	<u>\$ 21,223</u>	<u>\$ 444,696</u>	<u>\$ 20,541</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.

NOTE 11 - Construction Commitments

The Board had contractual commitments of approximately \$38,019,714 and \$75,316,241 for water and sewer plant construction at December 31, 2025 and 2024, respectively. These commitments are provided by the following bond restricted accounts: State Revolving Loan Construction and Capital Improvement.

NOTE 12 - General Usage of the System

As of December 31, 2025, the number of customers of the water system, the sewer system, and the total combined customers of these systems was 87,862, 85,470, and 91,959, respectively. As of December 31, 2024, the number of customers of the water system, the sewer system, and the total combined customers of these systems was 88,031, 85,420, and 92,048, respectively.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

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. Effective April 15, 2002, the Board became self-insured for claims and judgments, general liability, and general automobile liability. For all other claims, the Board self-insures the first \$75,000 of each claim and carries insurance to cover any losses in excess of \$75,000. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount, as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses and attorney fees related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims.

Based on an actuarial reserve and funding study performed by a third-party actuary, the Board recorded a liability for \$281,946 and \$459,477 for net cash reserves and possible unknown claims as of December 31, 2025 and 2024, respectively. All amounts are considered due within one year.

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

	Year Ended 12/31/25	Year Ended 12/31/24	Year Ended 12/31/23
Claims liability, beginning of year	\$ 459,477	\$ 389,063	\$ 1,989,512
Estimated claims	(584,599)	(402,657)	(395,930)
Incurred claims (including IBNRs)	407,068	473,071	(688,656)
Claims and expenses paid	-	-	(515,863)
Claims liability, end of year	<u>\$ 281,946</u>	<u>\$ 459,477</u>	<u>\$ 389,063</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. For the years ended December 31, 2025 and 2024, the Board has reported a loss contingency (see Note 13) in the amount of \$281,946 and \$459,477, respectively, 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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 14 – Contingencies (continued)

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 in 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, 2025 and 2024 was \$-0-.

NOTE 16 - Subsequent Events

The Board has evaluated subsequent events through May 26, 2026, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2025 have been incorporated into these financial statements.

NOTE 17 - Operating Leases

The Board is a lessor for leases of use of space on its water tanks. At the commencement of a lease, the Board initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received.

The Board is a lessor for leases of use of space on its water tanks. At the commencement of a lease, the Board initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 17 - Operating Leases (continued)

Key estimates and judgments include how the Board determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) the lease term, and (3) lease receipts as follows:

- The incremental borrowing rate used to discount the expected lease receipts to present value was 3.50%.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of base payments from the lessee.

Principal and interest to maturity for the lease receivable at December 31, 2025 are as follows:

	Principal	Interest	Total
2026	\$ 246,425	\$ 22,913	\$ 269,338
2027	263,401	14,018	277,419
2028	256,753	4,521	261,274
2029	-	-	-
2030	-	-	-
Thereafter	-	-	-
	\$ 766,579	\$ 41,452	\$ 808,031

NOTE 18 - Subscription-based Information Technology Arrangements (SBITA)

The Board has SBITAs that are used for various software licenses and remote hosting arrangements, which meet the capitalization criteria specified by generally accepted accounting principles. Therefore, the SBITAs have been recorded at the present value of the future minimum payments as of the inception date using an incremental borrowing rate of 3.50%.

The cost and accumulated amortization of the assets under the SBITAs totaled approximately \$2,386,741 and \$1,658,611, respectively, as of December 31, 2025. The cost and accumulated amortization of the assets under the SBITAs totaled approximately \$2,386,741 and \$1,226,025, respectively, as of December 31, 2024.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

**NOTE 18 - Subscription-based Information Technology Arrangements (SBITA)
(continued):**

Payments on the SBITAs for years succeeding December 31, 2025 are summarized as follows:

	Principal	Interest	Total
2026	459,521	28,267	\$ 487,788
2027	348,103	12,184	360,287
2028	-	-	-
2029	-	-	-
2030	-	-	-
Thereafter	-	-	-
	\$ 807,624	\$ 40,451	\$ 848,075

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,**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability:										
Service cost	\$ 1,664,690	\$ 1,590,941	\$ 1,531,298	\$ 1,609,071	\$ 1,619,186	\$ 1,665,153	\$ 1,601,369	\$ 1,555,364	\$ 1,549,963	\$ 1,583,878
Interest	8,928,089	8,637,130	8,319,011	8,346,787	8,374,006	7,967,464	7,692,237	7,387,327	7,193,341	6,968,312
Changes of benefit terms	-	-	-	215,863	-	-	-	-	-	-
Differences between expected and actual experience	1,640,297	1,933,798	2,237,418	(2,719,699)	(2,073,895)	2,778,509	563,442	917,733	(987,496)	272,077
Changes of assumptions	-	-	-	-	2,909,322	-	-	529,314	-	1,468,458
Benefit payments, including refunds of employee contributions	(8,521,382)	(8,277,907)	(7,704,963)	(7,644,391)	(7,612,703)	(6,779,145)	(5,745,311)	(5,896,115)	(5,161,202)	(4,697,197)
Transfers among employers	(84,952)	143,261	173,759	(150,177)	84,016	64,570	(20,454)	9,810	275,897	349,878
Net change in total pension liability	3,626,742	4,027,223	4,556,523	(342,546)	3,299,932	5,696,551	4,091,283	4,503,433	2,870,503	5,945,406
Total pension liability - beginning	124,100,809	120,073,586	115,517,063	115,859,609	112,559,677	106,863,126	102,771,843	98,268,410	95,397,907	89,452,501
Total pension liability - end (a)	\$127,727,551	\$124,100,809	\$120,073,586	\$115,517,063	\$115,859,609	\$112,559,677	\$106,863,126	\$102,771,843	\$ 98,268,410	\$ 95,397,907
Plan Fiduciary Net Position:										
Contributions - employer	\$ 3,052,070	\$ 2,341,864	\$ 2,250,136	\$ 2,013,050	\$ 2,085,634	\$ 2,157,912	\$ 2,171,106	\$ 2,057,351	\$ 1,963,630	\$ 2,020,517
Contributions - member	1,485,435	1,389,791	1,342,965	1,358,329	1,508,778	1,482,011	1,602,284	1,481,771	1,443,549	1,465,536
Net investment income	8,854,037	15,836,700	9,096,365	(10,887,894)	16,229,540	4,139,937	1,877,204	6,376,383	8,037,592	5,910,185
Benefit payments, including refunds of employee contributions	(8,521,382)	(8,277,907)	(7,704,963)	(7,644,391)	(7,612,703)	(6,779,145)	(5,745,311)	(5,896,115)	(5,161,202)	(4,697,197)
Transfers among employers	(84,952)	143,261	173,759	(150,177)	84,016	64,570	(20,454)	9,810	275,897	349,878
Net change in plan fiduciary net position	4,785,208	11,433,709	5,158,262	(15,311,083)	12,295,265	1,065,285	(115,171)	4,029,200	6,559,466	5,048,919
Plan net position - beginning	88,627,766	77,194,057	72,035,795	87,346,878	75,051,613	73,986,328	74,101,499	70,072,299	63,512,833	58,463,914
Plan net position - end (b)	\$ 93,412,974	\$ 88,627,766	\$ 77,194,057	\$ 72,035,795	\$ 87,346,878	\$ 75,051,613	\$ 73,986,328	\$ 74,101,499	\$ 70,072,299	\$ 63,512,833
Net pension liability - ending (a) - (b)	\$ 34,314,577	\$ 35,473,043	\$ 42,879,529	\$ 43,481,268	\$ 28,512,731	\$ 37,508,064	\$ 32,876,798	\$ 28,670,344	\$ 28,196,111	\$ 31,885,074
Plan fiduciary net position as a percentage of the total pension liability	73.13%	71.42%	64.29%	62.36%	75.39%	66.68%	69.23%	72.10%	71.31%	66.58%
Covered payroll	\$ 22,152,102	\$ 20,683,646	\$ 19,510,044	\$ 18,844,076	\$ 19,731,198	\$ 20,789,354	\$ 22,187,526	\$ 21,378,330	\$ 20,547,428	\$ 20,612,003
Net pension liability as a percentage of covered employee payroll	154.90%	171.50%	219.78%	230.74%	144.51%	180.42%	148.18%	134.11%	137.22%	154.69%

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

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDING DECEMBER 31,**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution *	\$ 3,256,030	\$ 2,584,723	\$ 2,217,302	\$ 2,082,537	\$ 2,122,316	\$ 2,221,781	\$ 2,210,267	\$ 2,152,676	\$ 2,057,430
Contributions in relation to the actuarially determined contribution	<u>3,256,030</u>	<u>2,584,723</u>	<u>2,217,302</u>	<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>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll **	\$22,152,102	\$20,683,646	\$19,510,044	\$18,844,076	\$19,731,198	\$20,789,354	\$22,187,526	\$21,378,330	\$20,547,428
Contributions as a percentage of covered-employee payroll	14.70%	12.50%	11.36%	11.05%	10.76%	10.69%	9.96%	10.07%	10.01%

*The amount 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 2025 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 2025 were based on the September 30, 2022 actuarial valuation.

Methods and assumptions used to determine the contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	23.9 years
Asset valuation method	Five year smoothed market
Inflation	2.50%
Salary increases	3.25 - 6.00%, including inflation
Investment rate of return	7.45%, net of pension plan investment expense, including inflation

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

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

	2025	2024	2023	2022	2021	2020	2019	2018
TOTAL OPEB LIABILITY								
Service cost	\$ 151,296	\$ 157,851	\$ 137,416	\$ 174,616	\$ 227,531	\$ 203,526	\$ 287,460	\$ 303,067
Interest	985,633	912,383	737,438	747,042	757,674	773,879	1,092,214	1,095,006
Differences between expected and actual experience of the total OPEB liability	(2,396,949)	-	903,633	-	161,151	-	(3,959,194)	(21,535)
Changes of assumptions and other inputs	(19,490)	(808,064)	921,400	-	66,859	-	(6,941,502)	-
Benefit payments	(573,871)	(805,581)	(921,898)	(1,298,937)	(1,522,027)	(1,243,377)	(1,225,351)	(1,245,337)
Net change in total OPEB liability	(1,853,381)	(543,411)	1,777,989	(377,279)	(308,812)	(265,972)	(10,746,373)	131,201
Total OPEB liability - beginning	<u>18,909,600</u>	<u>19,453,011</u>	<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>
Total OPEB liability - ending (a)	<u>\$17,056,219</u>	<u>\$18,909,600</u>	<u>\$19,453,011</u>	<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>
PLAN FIDUCIARY NET POSITION								
Contributions - employer	\$ 875,114	\$ 865,010	\$ 829,746	\$ 320,000	\$ 668,451	\$ 544,058	\$ 320,000	\$ 1,859,437
Net investment income	2,306,461	1,983,041	2,296,983	(2,869,696)	2,086,041	2,163,598	2,544,160	(417,342)
Benefit payments	(573,871)	(805,581)	(921,898)	(1,298,937)	(1,522,027)	(1,243,377)	(1,225,351)	(1,245,337)
OBEB plan administrative expense	-	-	-	-	-	-	-	(90,467)
Net change in plan fiduciary net position	2,607,704	2,042,470	2,204,831	(3,848,633)	1,232,465	1,464,279	1,638,809	106,291
Plan fiduciary net position - beginning	<u>19,323,815</u>	<u>17,281,345</u>	<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>
Plan fiduciary net position - ending (b)	<u>\$21,931,519</u>	<u>\$19,323,815</u>	<u>\$17,281,345</u>	<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>
Net OPEB liability - ending (a) - (b)	<u>\$ (4,875,300)</u>	<u>\$ (414,215)</u>	<u>\$ 2,171,666</u>	<u>\$ 2,598,508</u>	<u>\$ (872,846)</u>	<u>\$ 668,431</u>	<u>\$ 2,398,682</u>	<u>\$14,783,864</u>
Plan fiduciary net position as a percentage of the total OPEB liability	128.58%	102.19%	88.84%	85.30%	104.84%	96.36%	87.12%	49.67%
Covered - employee payroll	\$20,451,755	\$20,683,646	\$18,353,080	\$20,970,050	\$20,260,918	\$20,058,912	\$19,380,591	\$22,130,972
Board's net OPEB liability as a percentage of covered employee payroll	-23.84%	-2.00%	11.83%	12.39%	-4.31%	3.33%	12.38%	66.80%

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

**SCHEDULE OF BOARD CONTRIBUTIONS
YEAR ENDING DECEMBER 31,**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 154,837	\$ 865,010	\$ 829,746	\$ 319,587	\$ 306,558	\$ 775,323	\$ 320,000	\$ 1,859,437
Actual contribution	875,114	865,010	829,746	320,000	668,451	544,058	320,000	1,859,437
Contribution deficiency (excess)	<u>\$ (720,277)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (413)</u>	<u>\$ (361,893)</u>	<u>\$ 231,265</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$20,451,755	\$20,683,646	\$18,353,080	\$20,970,050	\$20,260,918	\$20,058,912	\$19,380,591	\$22,130,972
Actual contributions as a percentage of covered-employee payroll	4.28%	4.18%	4.52%	1.53%	3.30%	2.71%	1.65%	8.40%

Notes to Schedule of Contributions:

Valuation Date: January 1, 2025
 Measurement Date: December 31, 2025

Methods and assumptions used to determine their contribution rates:

Actuarial cost method Entry age normal
 Amortization method Level percentage of payroll, closed
 Remaining amortization period 10 years
 Asset valuation method Market value
 Inflation Mid-term: 3.0%, ultimate 2.50%
 Investment rate of return 5.25%
 Salary increases 3.25% to 6.00%, including inflation; varies by years of service. These are the same rates used in the September 30, 2024 Actuarial Valuation of the Employees' Retirement System (ERS) of Alabama.
 Retirement age Experience-based table of rates that are specific to the plan and type of eligibility condition. These are the same rates used in the September 30, 2024 Actuarial Valuation of Employees' Retirement System (ERS) of Alabama.
 Mortality Pub-2010, Headcount-Weighted, Below-Median Income, General tables with fully generational projection using MP-2021 for non-disabled lives. These tables are based on a mortality study of public pension plans by the Society of Actuaries (SOA).
 Healthcare cost trend rates Starting at 7.50% (6.5% for premiums) followed by 6.75% (6.00% for premiums) in the second year and gradually decreasing according to the Getzen Model to an ultimate trend rate of 4.00% by 2050.
 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.

SUPPLEMENTARY INFORMATION

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

SCHEDULE OF BOND RESTRICTED ACCOUNTS

DECEMBER 31, 2025

(with comparative totals as of December 31, 2024)

	2025 Total	Capital Improvement Fund Accounts	Other Post Employment Benefits (OPEB) Accounts	Sinking Fund Bond Service Accounts	State Revolving Fund Bond Service Accounts	2024 Total
ASSETS						
Cash and cash equivalents	\$ 45,179,807	\$ 14,922,728	\$ 4,875,300	\$ 6,557,031	\$ 18,824,748	\$ 36,408,743
Interest receivable	89,988	77,272	-	12,700	16	86,699
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 45,269,795</u>	<u>\$ 15,000,000</u>	<u>\$ 4,875,300</u>	<u>\$ 6,569,731</u>	<u>\$ 18,824,764</u>	<u>\$ 36,495,442</u>
LIABILITIES						
Interest payable	4,317,957	-	-	1,373,390	2,944,567	4,057,090
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	4,317,957	-	-	1,373,390	2,944,567	4,057,090
NET POSITION						
Restricted	<u>40,951,838</u>	<u>15,000,000</u>	<u>4,875,300</u>	<u>5,196,341</u>	<u>15,880,197</u>	<u>32,438,352</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and net position	<u>\$ 45,269,795</u>	<u>\$ 15,000,000</u>	<u>\$ 4,875,300</u>	<u>\$ 6,569,731</u>	<u>\$ 18,824,764</u>	<u>\$ 36,495,442</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, 2025 AND 2024**

	2025	2024
OPERATING REVENUES		
Water revenue		
Potable water system	\$ 48,540,692	\$ 48,123,458
Water installation charges	565,662	528,434
Capacity fees	217,780	223,310
Miscellaneous charges and services	3,922,215	3,524,131
Industrial water accounts	1,768,502	1,592,923
Total water revenue	55,014,851	53,992,256
Sewer revenue		
Sewer services	80,724,901	78,118,819
Sewer connection charges	325,662	423,800
Capacity fees	595,669	627,620
Miscellaneous charges and services	2,314,164	2,222,725
Pretreatment fees	877,941	820,916
Total sewer revenue	84,838,337	82,213,880
Total operating revenues	139,853,188	136,206,136
OPERATING EXPENSES		
Water supply	2,969,947	2,762,263
Water treatment	9,947,406	9,804,462
Wastewater treatment	9,121,007	8,426,592
Transmission and collection	23,291,340	22,835,295
Support services	5,566,376	4,719,817
Supervision and general expense	20,096,440	24,461,187
Total operating expenses	70,992,516	73,009,616
OPERATING INCOME (revenue fund accounts)	68,860,672	63,196,520
NON-OPERATING REVENUES (EXPENSES)		
Interest income:		
Revenue and operating account investments	3,057,021	3,422,601
FEMA reimbursement	-	-
Miscellaneous rentals and sale of property	314,704	352,978
Bond interest and amortization expense	(432,586)	(432,586)
SBITA amortization expense	(43,156)	(56,927)
NET INCOME (revenue and operating accounts)	71,756,655	66,482,586
DEDUCTIONS FROM (ADDITIONS TO) NET INCOME		
Payments to (from) debt service funds:		
Sinking Fund Bond Service Account	8,279,898	7,879,643
State Revolving Fund Bond Service Account	24,884,649	21,830,506
Transfers to restricted accounts	13,509,505	38,081,861
Total deductions from net income	46,674,052	67,792,010
CHANGE IN NET POSITION		
REVENUE FUND ACCOUNTS	\$ 25,082,603	\$ (1,309,424)

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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, 2025 AND 2024**

	2025			2024		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES						
Water revenue	\$ 53,878,283	\$ 55,014,851	\$ 1,136,568	\$ 52,574,096	\$ 53,992,256	\$ 1,418,160
Sewer revenue	84,152,948	84,838,337	685,389	81,860,384	82,213,880	353,496
Total operating revenues	<u>138,031,231</u>	<u>139,853,188</u>	<u>1,821,957</u>	<u>134,434,480</u>	<u>136,206,136</u>	<u>1,771,656</u>
OPERATING EXPENSES						
	<u>(75,465,000)</u>	<u>(70,992,516)</u>	<u>4,472,484</u>	<u>(71,052,000)</u>	<u>(73,009,616)</u>	<u>(1,957,616)</u>
OPERATING INCOME	62,566,231	68,860,672	6,294,441	63,382,480	63,196,520	(185,960)
NON OPERATING REVENUES/(EXPENSES)						
Investment income	1,000,000	3,057,021	2,057,021	500,000	3,422,601	2,922,601
FEMA reimbursement	-	-	-	-	-	-
Other income	265,000	314,704	49,704	330,000	352,978	22,978
SBITA amortization expense	-	(432,586)	(432,586)	-	(432,586)	(432,586)
Miscellaneous expenses	-	(43,156)	(43,156)	-	(56,927)	(56,927)
Net income	<u>63,831,231</u>	<u>71,756,655</u>	<u>7,925,424</u>	<u>64,212,480</u>	<u>66,482,586</u>	<u>2,270,106</u>
OTHER REVENUE DEDUCTIONS						
Sinking Fund Bond Service Account	(7,657,600)	(8,279,898)	(622,298)	(4,424,400)	(7,879,643)	(3,455,243)
State Revolving Fund Bond Service Account	(22,956,058)	(24,884,649)	(1,928,591)	(21,400,916)	(21,830,506)	(429,590)
Transfers to restricted accounts	<u>(33,217,573)</u>	<u>(13,509,505)</u>	<u>19,708,068</u>	<u>(38,387,164)</u>	<u>(38,081,861)</u>	<u>305,303</u>
Total other revenue deductions	<u>(63,831,231)</u>	<u>(46,674,052)</u>	<u>17,157,179</u>	<u>(64,212,480)</u>	<u>(67,792,010)</u>	<u>(3,579,530)</u>
CHANGE IN NET POSITION						
REVENUE FUND ACCOUNTS	<u>\$ -</u>	<u>\$ 25,082,603</u>	<u>\$ 25,082,603</u>	<u>\$ -</u>	<u>\$ (1,309,424)</u>	<u>\$ (1,309,424)</u>

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

**SCHEDULES OF OPERATING EXPENSES - REVENUE FUND ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

	2025	2024
WATER SUPPLY		
Labor Cost	\$ 258,242	\$ 234,960
Payroll Taxes	18,740	16,976
Fringe Benefits	93,104	77,418
Other Post Employment Benefits	-	-
Administrative Expenses	42,999	45,882
Electricity and Natural Gas	1,194,743	1,227,943
Maintenance and Repairs	64,675	41,703
Misc Outside Services	971,317	691,225
Chemicals	7,145	3,225
Offices Supplies and Expenses	143	630
Operating Supplies and Materials	86,360	119,023
Vehicle and Equipment Expense	232,479	303,278
	\$ 2,969,947	\$ 2,762,263
WATER TREATMENT		
Labor Cost	\$ 2,449,219	\$ 2,395,726
Payroll Taxes	179,695	175,807
Fringe Benefits	727,590	670,281
Other Post Employment Benefits	-	-
Administrative Expenses	41,381	42,911
Electricity and Natural Gas	752,463	702,837
Maintenance and Repairs	48,264	76,744
Misc Outside Services	695,570	807,979
Chemicals	4,444,278	4,176,337
Offices Supplies and Expenses	8,897	8,889
Operating Supplies and Materials	267,324	292,780
Vehicle and Equipment Expense	332,725	454,171
	\$ 9,947,406	\$ 9,804,462
WASTEWATER TREATMENT		
Labor Cost	\$ 2,516,405	\$ 2,482,937
Payroll Taxes	200,007	191,711
Fringe Benefits	733,163	647,179
Other Post Employment Benefits	-	-
Administrative Expenses	23,311	22,330
Electricity and Natural Gas	1,727,252	1,715,095
Maintenance and Repairs	116,574	95,342
Misc Outside Services	1,904,759	1,457,062
Chemicals	718,768	734,671
Offices Supplies and Expenses	9,863	9,670
Operating Supplies and Materials	411,718	273,949
Vehicle and Equipment Expense	759,187	796,646
	\$ 9,121,007	\$ 8,426,592

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	<u>2025</u>	<u>2024</u>
TRANSMISSION AND COLLECTION		
Labor Cost	\$ 7,142,531	\$ 6,737,917
Payroll Taxes	543,398	506,683
Fringe Benefits	2,293,633	1,982,713
Other Post Employment Benefits	-	-
Administrative Expenses	85,796	79,478
Electricity and Natural Gas	1,997,220	1,949,291
Maintenance and Repairs	105,579	79,015
Misc Outside Services	6,584,815	6,990,781
Chemicals	384,950	378,272
Offices Supplies and Expenses	10,067	6,338
Operating Supplies and Materials	2,821,726	2,764,355
Vehicle and Equipment Expense	1,321,625	1,360,452
	<u>\$ 23,291,340</u>	<u>\$ 22,835,295</u>
SUPPORT SERVICES		
Labor Cost	\$ 2,032,879	\$ 2,011,974
Payroll Taxes	148,387	149,582
Fringe Benefits	711,616	680,408
Other Post Employment Benefits	-	-
Administrative Expenses	21,581	33,545
Electricity and Natural Gas	57,778	25,173
Maintenance and Repairs	75,829	50,198
Misc Outside Services	1,132,622	847,879
Chemicals	-	-
Offices Supplies and Expenses	2,595	4,397
Operating Supplies and Materials	645,995	201,869
Vehicle and Equipment Expense	737,094	714,792
	<u>\$ 5,566,376</u>	<u>\$ 4,719,817</u>
SUPERVISION, ENGINEERING, ACCOUNTING, COLLECTIONS AND GENERAL EXPENSE		
Labor Cost	\$ 8,459,397	\$ 7,710,959
Payroll Taxes	612,564	557,547
Fringe Benefits	1,492,975	6,161,927
Other Post Employment Benefits	(424,227)	(354,853)
Administrative Expenses	2,545,647	2,347,419
Electricity and Natural Gas	347,822	441,001
Maintenance and Repairs	2,544,050	2,508,980
Misc Outside Services	4,212,308	3,894,395
Chemicals	-	-
Offices Supplies and Expenses	51,433	58,439
Operating Supplies and Materials	(97,671)	757,866
Vehicle and Equipment Expense	352,142	377,507
	<u>\$ 20,096,440</u>	<u>\$ 24,461,187</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, 2025 AND 2024**

	2025 Totals	Unrestricted	
		Operating Cash Reserve Fund Accounts	Self-Insurance Cash Reserve Fund Accounts
CHANGES RESULTING FROM OPERATIONS - INCREASE (DECREASE)			
Operating income - revenue fund	\$ 68,860,672	\$ 69,467,764	\$ (607,092)
Operating expenses - capital improvement fund account	(2,539,207)	-	-
Depreciation and amortization	(28,023,402)	(432,586)	-
FEMA reimbursement	-	-	-
Investment earnings	3,735,176	2,854,883	48,631
Miscellaneous rentals and sale of property	814,342	314,704	-
Miscellaneous expense	-	-	-
Interest on capital asset-related debt	(43,156)	(43,156)	-
Bond interest premium / (expense)	(9,605,827)	-	-
Bond issuance costs	(26,500)	-	-
INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	33,172,098	72,161,609	(558,461)
CAPITAL GRANTS AND CONTRIBUTIONS			
Lines accepted by the Board without reimbursement	2,878,655	-	-
Contributions for extensions/repair and replacement	-	-	-
Capital grants	1,276,616	-	-
CHANGES FROM INTER-ACCOUNT TRANSFERS			
Cash transfers from revenue fund (net)	-	(48,860,566)	440,627
Additions to utility plant:			
Equipment, vehicles and building improvements	-	-	-
Construction in progress	-	-	-
Proceeds from bond sales	-	-	-
Debt retired	-	-	-
CHANGE IN NET POSITION	37,327,369	23,301,043	(117,834)
TOTAL NET POSITION - BEGINNING OF YEAR	555,869,698	16,072,058	3,105,841
TOTAL NET POSITION - END OF YEAR, RESTATED FOR 2022	\$ 593,197,067	\$ 39,373,101	\$ 2,988,007

See Independent Auditor's Report on Supplementary Information

Unrestricted			Restricted			2024 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	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,196,520
-	-	-	(2,539,207)	-	-	(2,928,880)
-	-	(27,590,816)	-	-	-	(26,543,104)
-	-	-	-	-	-	-
65,302	88,205	-	74,818	-	603,337	4,111,842
-	-	82,999	416,639	-	-	(806,074)
-	-	-	-	-	-	-
-	-	152,574	-	-	(9,758,401)	(56,927)
-	-	-	-	(26,500)	-	(8,817,895)
-	-	-	-	-	-	(33,000)
65,302	88,205	(27,355,243)	(2,047,750)	(26,500)	(9,155,064)	28,122,482
-	-	2,878,655	-	-	-	1,721,152
-	-	-	-	-	-	-
-	-	1,276,616	-	-	-	4,150,000
45,887	1,700,000	(747,729)	67,436,637	(53,178,106)	33,163,250	-
-	-	5,654,035	(5,654,035)	-	-	-
-	-	85,126,891	(85,126,891)	-	-	-
-	-	(56,085,000)	-	56,085,000	-	-
-	-	20,370,000	-	-	(20,370,000)	-
111,189	1,788,205	31,118,225	(25,392,039)	2,880,394	3,638,186	33,993,634
4,153,393	10,805,000	386,868,736	44,159,026	73,267,292	17,438,352	521,876,064
\$ 4,264,582	\$ 12,593,205	\$ 417,986,961	\$ 18,766,987	\$ 76,147,686	\$ 21,076,538	\$ 555,869,698

See Independent Auditor's Report on Supplementary Information

STATISTICAL SECTION

STATISTICAL SECTION

This part of the Board's annual comprehensive 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>	78
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>	80
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>	85
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>	89
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>	93

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

	2016 (restated)	2017	2018	2019	2020	2021	2022 (restated)	2023	2024	2025
Operating revenues										
Water sales	\$ 41,764,407	\$ 39,947,830	\$ 43,189,371	\$ 42,539,290	\$ 44,575,097	\$ 44,633,938	\$ 48,137,576	\$ 52,161,191	\$ 53,992,256	\$ 55,014,851
Sewer charges	61,686,576	60,670,012	64,699,127	66,698,585	70,034,179	70,328,137	74,256,910	80,056,018	82,213,880	84,838,337
Total operating revenues	<u>103,450,983</u>	<u>100,617,842</u>	<u>107,888,498</u>	<u>109,237,875</u>	<u>114,609,276</u>	<u>114,962,075</u>	<u>122,394,486</u>	<u>132,217,209</u>	<u>136,206,136</u>	<u>139,853,188</u>
Operating expenses										
Water supply	1,545,130	1,659,151	1,874,955	1,878,277	1,906,486	2,283,823	2,729,655	2,705,699	2,762,263	2,969,947
Water, sewer, treatment, and administration	55,624,133	55,575,856	59,681,542	57,864,742	56,629,722	57,494,513	54,077,698	63,631,114	70,247,353	68,022,569
Capital improvement fund accounts	2,227,136	2,314,627	1,465,627	929,740	720,763	2,056,837	1,398,976	37,050	2,928,880	2,539,207
Depreciation	20,846,352	21,684,555	22,446,265	23,156,895	23,851,718	24,568,410	23,811,845	25,579,767	26,543,104	28,023,402
Total operating expenses	<u>80,242,751</u>	<u>81,234,189</u>	<u>85,468,389</u>	<u>83,829,654</u>	<u>83,108,689</u>	<u>86,403,583</u>	<u>82,018,174</u>	<u>91,953,630</u>	<u>102,481,600</u>	<u>101,555,125</u>
Net revenue from operations	23,208,232	19,383,653	22,420,109	25,408,221	31,500,587	28,558,492	40,376,312	40,263,579	33,724,536	38,298,063
Non operating revenues (expenses)										
FEMA reimbursement	-	-	-	-	-	213,844	129,186	(271,753)	-	-
Investment earnings	331,392	540,985	1,006,525	1,429,807	504,755	(51,027)	93,381	3,820,806	4,111,842	3,735,176
Miscellaneous rentals and sale of property	632,649	981,699	1,017,713	913,214	1,014,502	1,646,619	5,158,434	559,486	353,156	564,716
Miscellaneous expense and loss on disposal of assets	(11,617)	(281)	(96)	(1,173,661)	(346,223)	(1,277,690)	84,412	(860,232)	(1,159,230)	249,626
Bond interest expense	(6,257,210)	(5,456,955)	(7,481,890)	(7,958,328)	(8,639,583)	(9,411,102)	(8,327,686)	(11,519,359)	(8,874,822)	(9,648,983)
Bond issuance costs	(78,510)	-	(20,000)	(20,000)	(10,000)	(20,000)	(428,448)	(40,465)	(33,000)	(26,500)
Income (loss) before capital grants and contributions	17,824,936	15,449,101	16,942,361	18,599,253	24,024,038	19,659,136	37,085,591	31,952,062	28,122,482	33,172,098
Capital grants and contributions										
Lines accepted by the Board without reimbursement	710,929	1,494,115	-	105,939	1,459,666	1,518,979	822,977	1,052,616	1,721,152	2,878,655
Contributions for extensions / repair and replacement	371,440	-	1,839,914	-	199,940	323,032	-	-	-	-
Capital grants	-	-	-	100,000	3,665,048	-	-	-	4,150,000	1,276,616
Total capital grants and contributions	<u>1,082,369</u>	<u>1,494,115</u>	<u>1,839,914</u>	<u>205,939</u>	<u>5,324,654</u>	<u>1,842,011</u>	<u>822,977</u>	<u>1,052,616</u>	<u>5,871,152</u>	<u>4,155,271</u>
Prior year adjustment										
Debt issuance costs	(470,417)	-	-	-	-	-	-	-	-	-
OPEB	(14,590,382)	-	-	-	-	-	-	-	-	-
Pension	(753,184)	-	-	-	-	-	-	-	-	-
Subscriptions and Leases	-	-	-	-	-	-	(93,669)	-	-	-
Change in net position	3,093,322	16,943,216	18,782,275	18,805,192	29,348,692	21,501,147	37,814,899	33,004,678	33,993,634	37,327,369
Total net position Beginning	<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>488,871,386</u>	<u>521,876,064</u>	<u>555,869,698</u>
Total net position Ending	<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>\$ 488,871,386</u>	<u>\$ 521,876,064</u>	<u>\$ 555,869,698</u>	<u>\$ 593,197,067</u>

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>2016</u> <u>(restated)</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u> <u>(restated)</u>	<u>2023</u>	<u>2024</u> <u>(reclassified)</u>	<u>2025</u>
Net investment in capital assets	\$ 297,123,608	\$ 352,047,706	\$ 364,662,008	\$ 382,855,114	\$ 398,674,249	\$ 412,389,904	\$ 423,578,150	\$ 467,881,983	\$ 481,558,792	\$ 502,849,391
Restricted for debt service	2,374,525	9,077,577	8,104,795	10,535,784	10,273,811	10,570,507	14,103,118	12,445,088	17,438,352	21,076,538
Restricted for construction and other bond covenants	70,403,814	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Restricted for other post employee benefits (OPEB)	-	-	-	-	-	-	-	-	414,215	4,875,300
Unrestricted net position	<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>36,190,118</u>	<u>26,548,993</u>	<u>41,458,339</u>	<u>49,395,838</u>
Total net position	<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>\$ 488,871,386</u>	<u>\$ 521,876,064</u>	<u>\$ 555,869,698</u>	<u>\$ 593,197,067</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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating revenues										
Water revenue										
Potable water system sales	\$ 36,915,832	\$ 35,361,254	\$ 37,828,334	\$ 37,970,822	\$ 40,902,868	\$ 40,025,427	\$ 43,119,354	\$ 47,301,665	\$ 48,123,758	\$ 48,540,692
Water connection (service line) fees	333,177	293,635	327,916	291,908	413,788	234,992	323,966	406,241	528,434	565,662
Water connection (capacity) fees	194,590	205,310	217,600	159,637	178,890	115,150	137,900	184,240	223,310	217,780
Miscellaneous water income	2,602,105	2,597,719	3,029,187	2,625,824	1,848,970	2,777,858	3,075,711	2,799,079	3,523,831	3,922,215
Water supply system sales (industrial)	1,718,703	1,489,912	1,786,334	1,491,099	1,230,581	1,480,511	1,480,645	1,469,966	1,592,923	1,768,502
Total water revenue	<u>41,764,407</u>	<u>39,947,830</u>	<u>43,189,371</u>	<u>42,539,290</u>	<u>44,575,097</u>	<u>44,633,938</u>	<u>48,137,576</u>	<u>52,161,191</u>	<u>53,992,256</u>	<u>55,014,851</u>
Sewer revenue										
Sewer system charges	59,015,216	57,924,969	61,810,368	63,884,147	67,323,009	67,576,205	71,136,030	76,810,340	78,118,819	80,724,901
Sewer connection (service line) fees	261,122	229,717	287,706	236,215	348,712	304,820	206,506	223,863	423,800	325,662
Sewer connection (capacity) fees	481,036	578,600	531,364	405,210	492,340	329,890	382,694	478,900	627,620	595,669
Miscellaneous sewer income	1,303,735	1,304,365	1,270,151	1,379,502	1,078,049	1,508,329	1,893,919	1,947,882	2,222,725	2,314,164
Pre-treatment fees	625,467	632,361	799,538	793,511	792,069	608,893	637,761	595,033	820,916	877,941
Total sewer revenue	<u>61,686,576</u>	<u>60,670,012</u>	<u>64,699,127</u>	<u>66,698,585</u>	<u>70,034,179</u>	<u>70,328,137</u>	<u>74,256,910</u>	<u>80,056,018</u>	<u>82,213,880</u>	<u>84,838,337</u>
Total operating revenues	103,450,983	100,617,842	107,888,498	109,237,875	114,609,276	114,962,075	122,394,486	132,217,209	136,206,136	139,853,188
Non-operating revenues										
Investment earnings	331,392	540,985	1,006,525	1,429,807	504,755	(51,027)	93,381	3,820,806	4,111,842	3,735,176
Grant proceeds	-	-	-	-	-	-	-	-	-	-
FEMA reimbursements (uncollectible)	-	-	19,015	-	-	213,844	129,186	(271,753)	-	-
Miscellaneous rentals and Gain/(loss) on sale of property	632,649	981,699	1,002,876	913,214	1,014,502	1,646,619	5,242,846	(300,746)	(806,074)	814,342
Total non-operating revenues	<u>964,041</u>	<u>1,522,684</u>	<u>2,028,416</u>	<u>2,343,021</u>	<u>1,519,257</u>	<u>1,809,436</u>	<u>5,465,413</u>	<u>3,248,307</u>	<u>3,305,768</u>	<u>4,549,518</u>
Total revenues	<u>\$ 104,415,024</u>	<u>\$ 102,140,526</u>	<u>\$ 109,916,914</u>	<u>\$ 111,580,896</u>	<u>\$ 116,128,533</u>	<u>\$ 116,771,511</u>	<u>\$ 127,859,899</u>	<u>\$ 135,465,516</u>	<u>\$ 139,511,904</u>	<u>\$ 144,402,706</u>

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
5/8"	\$ 54,330	\$ 52,553	\$ 53,319	\$ 55,032	\$ 59,630	\$ 58,553	\$ 61,317	\$ 66,314	\$ 67,328	\$ 68,114
1"	3,724	3,366	3,581	3,708	3,766	3,889	4,223	4,642	4,527	4,452
1 1/2 "	1,023	932	1,045	1,129	1,126	1,180	1,352	1,511	1,603	1,616
2"	7,648	7,426	7,124	8,225	8,169	8,319	9,220	9,796	9,845	10,127
3"	2,514	2,582	3,010	2,881	2,853	2,859	3,114	3,465	3,780	4,136
4"	8,283	8,113	8,393	8,654	9,409	9,460	9,933	10,735	11,057	11,271
6"	7,983	8,425	12,203	10,449	11,222	11,771	12,758	14,003	14,436	15,415
8"	5,913	5,248	6,452	7,400	7,772	7,556	8,211	9,205	8,970	9,417
10" - 12"	4,513	4,641	4,512	4,377	4,279	4,015	4,127	4,441	4,697	4,718
	<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>	<u>\$ 124,112</u>	<u>\$ 126,243</u>	<u>\$ 129,266</u>
Untreated water	<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>	<u>1,470</u>	<u>1,593</u>	<u>1,769</u>
Total	<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>	<u><u>\$ 125,582</u></u>	<u><u>\$ 127,836</u></u>	<u><u>\$ 131,035</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
2016	1/1/2016	\$ 3.10	\$ 9.75	\$ 7.26	\$ 20.15
2017	N/A	\$ 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
2023	1/1/2023	\$ 3.74	\$ 11.77	\$ 9.34	\$ 27.48
2024	1/1/2024	\$ 3.85	\$ 12.05	\$ 9.62	\$ 28.23
2025	1/1/2025	\$ 3.97	\$ 12.36	\$ 9.91	\$ 29.02

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, 2025, 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**

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Big Creek System										
Mobile Water Service	\$ 3,244,971	\$ 3,039,470	\$ 3,373,112	\$ 3,348,447	\$ 3,342,400	\$ 3,345,925	\$ 3,671,197	\$ 4,134,521	\$ 4,130,934	\$ 4,134,995
Less: Intra-fund eliminations	(3,244,971)	(3,039,470)	(3,373,112)	(3,348,447)	(3,342,400)	(3,345,925)	(3,671,197)	(4,134,521)	(4,130,934)	(4,134,995)
Kimberly-Clark Corp.	1,322,037	1,194,848	1,412,126	1,174,898	1,003,976	1,158,905	1,151,976	1,125,684	1,268,667	1,394,098
Sterling Specialty Chemicals (formerly Kemira Water Solutions)	5,525	5,741	7,194	6,295	4,628	4,769	3,330	3,284	3,719	3,634
Occidental Chemical	10,302	10,888	6,482	4,308	2,943	3,134	3,036	3,264	3,360	3,456
UOP	207,395	188,971	220,949	193,314	133,061	157,769	158,645	154,127	160,377	163,988
Merchants Transfer (formerly Multisorb Technologies and Eagle Chemical Company)	4,668	4,719	4,724	4,308	2,943	3,134	3,036	3,264	3,360	3,456
Mobile Paper Board Corp.	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	83,395	87,514	100,378
Mobile Energy	135,719	52,024	96,816	81,682	76,599	107,434	89,686	96,948	65,926	99,492
Total Big Creek System	1,716,895	1,489,912	1,786,334	1,491,099	1,230,581	1,480,511	1,480,645	1,469,966	1,592,923	1,768,502
Mobile River System										
SSAB Steel	1,808	-	-	-	-	-	-	-	-	-
SSAB Steel prior year adjustment	-	-	-	-	-	-	-	-	-	-
Total Mobile River System	1,808	-	-	-	-	-	-	-	-	-
Total Operating Revenues - Industrial Water Accounts	\$ 1,718,703	\$ 1,489,912	\$ 1,786,334	\$ 1,491,099	\$ 1,230,581	\$ 1,480,511	\$ 1,480,645	\$ 1,469,966	\$ 1,592,923	\$ 1,768,502

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	2016		2017		2018		2019		2020	
	Total Consumption	% of Total Treated Water Sold	Total Consumption	% of Total Treated Water Sold	Total Consumption	% of Total Treated Water Sold	Total Consumption	% of Total Treated Water Sold	Total Consumption	% of Total Treated Water Sold
Alabama Power	169,264,400	1.38%	176,664,100	1.63%	215,062,900	1.89%	208,837,800	1.81%	187,084,200	1.62%
Alabama State Docks	445,407,800	3.63%	338,406,400	3.11%	295,343,800	2.60%	384,209,600	3.33%	276,803,900	2.40%
Holcim (US) Inc.	n/a	n/a	n/a	n/a	n/a	n/a	96,286,600	0.84%	n/a	n/a
Huls America/Degussa/Evonik	463,246,000	3.78%	523,476,000	4.82%	331,116,200	2.91%	336,092,100	2.92%	87,100,200	0.76%
Kemira Water Solutions	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	289,287,800	2.51%
Kimberly Clark Corp.	111,907,400	0.91%	138,080,400	1.27%	116,501,700	1.03%	118,947,600	1.03%	n/a	n/a
Mitsubishi Polysilicon	207,072,100	1.69%	304,431,200	2.80%	224,077,700	1.97%	203,394,500	1.77%	117,016,000	1.02%
Mobile Housing Board	126,284,700	1.03%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Mobile Infirmary	n/a	n/a	99,697,200	0.92%	80,641,800	0.71%	n/a	n/a	203,359,900	1.77%
Mobile Public Schools	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Phenolchemie Inc.	184,500,000	1.50%	n/a	n/a	187,900,000	1.65%	179,650,000	1.56%	200,200,000	1.74%
Praxair	n/a	n/a	182,050,000	1.68%	n/a	n/a	n/a	n/a	81,185,900	0.70%
Prichard Water and Sewer	970,807,800	7.92%	n/a	n/a	1,167,902,100	10.28%	1,097,756,050	9.53%	1,336,005,800	11.60%
Spanish Fort Water	220,642,700	1.80%	1,054,229,000	9.70%	261,017,700	2.30%	293,784,000	2.55%	329,090,900	2.86%
University of South Alabama	149,368,100	1.22%	196,991,300	1.81%	173,291,300	1.53%	113,957,400	0.99%	n/a	n/a

User	2021		2022		2023		2024		2025	
	Total Consumption	% of Total Treated Water Sold	Total Consumption	% of Total Treated Water Sold	Total Consumption	% of Total Treated Water Sold	Total Consumption	% of Total Treated Water Sold	Total Consumption	% of Total Treated Water Sold
Alabama Power	177,602,000	1.59%	218,151,100	1.86%	218,671,100	1.84%	191,241,000	1.54%	152,693,000	1.29%
Alabama State Docks	177,485,800	1.59%	265,254,100	2.26%	261,945,700	2.21%	209,405,800	1.69%	288,826,700	2.44%
Evonik Corporation	n/a	n/a	n/a	n/a	241,181,100	2.03%	206,391,600	1.66%	210,200,300	1.77%
Holcim (US) Inc.	90,382,000	0.81%	87,191,900	0.74%	99,613,500	0.84%	n/a	n/a	n/a	n/a
Huls America/Degussa/Evonik	257,772,000	2.31%	231,338,500	1.97%	n/a	n/a	n/a	n/a	n/a	n/a
Kemira Water Solutions	n/a	n/a	100,653,800	0.86%	n/a	n/a	n/a	n/a	n/a	n/a
Kimberly Clark Corp.	134,802,000	1.21%	142,614,000	1.21%	150,588,900	1.27%	161,803,100	1.30%	147,144,900	1.24%
Mobile County Commission	n/a	n/a	n/a	n/a	n/a	n/a	150,342,600	1.21%	145,987,400	1.23%
Mitsubishi Polysilicon	201,477,000	1.80%	296,390,100	2.52%	294,435,700	2.48%	278,062,100	2.24%	297,533,900	2.51%
Mobile Infirmary	73,488,900	0.66%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Phenolchemie Inc.	165,491,000	1.48%	352,414,300	3.00%	351,650,400	2.97%	386,879,600	3.11%	369,312,700	3.12%
Praxair	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Prichard Water and Sewer	1,471,640,000	13.18%	1,556,324,000	13.25%	1,776,494,000	14.98%	1,768,532,000	14.23%	1,553,941,000	13.11%
Spanish Fort Water	264,246,000	2.37%	359,726,000	3.06%	277,850,000	2.34%	314,935,000	2.53%	322,875,000	2.72%
Sterling Specialty Chemicals US LLC	n/a	n/a	n/a	n/a	125,080,100	1.05%	140,978,700	1.13%	145,486,900	1.23%
University of South Alabama	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Note: Information on all ten top users for 2023 was not recorded in all cases for each year from 2014 through 2023.

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, 2025

Water and Sewer Revenue Bonds		SRF LOANS																										Total		
Series 2022	Total	Series 2012	Series 2014	Series 2016	Series 2018 CWSRF	Series 2018 DWSR	Series 2019 CWSRF	Series 2019 DWSRF	Series 2020 CWSRF	Series 2020 CWSRF	Series 2021 DWSRF	Series 2021 CWSRF	Series 2022 DWSRF	Series 2022 CWSRF	Series 2023 DWSRF	Series 2023 CWSRF	Series 2023 DWSRF-A	Series 2023 DWSRF-B	Series 2023 DWSRF-C	Series 2023 DWSRF-E	Series 2024 CWSRF	Series 2024 DWSRF-A	Series 2024 DWSRF-B	Series 2025 CWSRF-A	Series 2025 CWSRF-B	Series 2025 DWSRF-A	Series 2025 DWSRF-B	Series 2025 DWSRF-C	Total	
2026 Prin	5,060	5,060	1,090	1,025	980	1,480	350	460	920	1,450	1,585	565	1,765	660	1,580	95	200	280	315	60	505	310	180	415	630	70	370	825	18,165	23,225
Int	2,676	2,676	226	250	265	484	115	164	318	544	643	230	771	289	656	39	84	116	131	26	224	156	91	197	298	33	174	390	6,915	9,591
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	1,610	95	205	285	320	65	515	320	185	425	645	70	375	840	18,575	24,780
Int	2,520	2,520	194	225	243	452	108	154	297	512	607	217	732	274	625	38	80	111	124	24	214	150	87	189	286	32	167	373	6,514	9,033
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	1,640	100	210	290	325	65	525	325	190	435	655	75	385	855	18,985	25,360
Int	2,345	2,345	161	200	222	418	100	143	276	479	571	204	692	259	592	36	76	105	118	23	204	142	83	180	273	31	159	357	6,103	8,448
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	1,675	100	215	295	335	65	535	335	195	440	670	75	390	875	19,400	28,600
Int	2,129	2,129	127	173	199	385	92	133	255	445	534	191	651	244	559	34	72	99	112	22	193	135	78	171	260	29	152	339	5,684	7,812
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	1,710	105	220	300	340	65	545	340	200	450	680	75	400	890	19,830	29,285
Int	1,869	1,869	92	146	176	350	83	122	233	411	497	98	609	228	526	32	67	93	105	20	182	128	74	163	246	28	144	322	5,173	7,042
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	1,740	105	225	310	345	70	555	350	200	460	695	80	405	910	20,270	29,985
Int	1,603	1,603	56	118	152	315	75	111	211	376	458	164	566	212	491	29	63	87	98	19	172	120	70	154	233	26	136	304	4,815	6,417
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	1,775	105	230	315	355	70	570	355	205	470	710	80	415	930	20,730	30,715
Int	1,329	1,329	19	89	128	278	66	99	188	340	419	150	522	196	456	27	58	81	91	18	160	112	65	144	219	24	128	286	4,363	5,692
2033 Prin	10,270	10,270	-	1,220	1,140	1,725	410	535	1,070	1,690	1,845	660	2,055	770	1,815	110	235	320	360	70	580	365	210	480	725	80	425	945	19,840	30,110
Int	1,047	1,047	-	61	104	241	57	88	165	303	379	136	477	179	421	25	54	74	84	16	149	104	61	135	204	23	119	267	3,925	4,972
2034 Prin	10,555	10,555	-	1,250	1,165	1,765	420	550	1,095	1,725	1,885	675	2,100	790	1,850	110	235	325	370	70	590	370	215	490	740	80	430	965	20,260	30,815
Int	758	758	-	31	79	203	48	76	141	265	338	121	432	162	384	23	49	68	77	15	137	96	57	125	190	21	111	248	3,496	4,254
2035 Prin	10,840	10,840	-	-	1,195	1,805	430	560	1,120	1,765	1,925	690	2,150	805	1,885	115	240	335	375	75	605	380	220	495	755	85	440	985	19,435	30,275
Int	460	460	-	-	53	164	39	64	116	227	296	106	385	144	347	21	44	62	69	14	125	88	51	115	175	20	102	229	3,055	3,515
2036 Prin	11,145	11,145	-	-	1,220	1,845	440	570	1,145	1,805	1,970	705	2,195	825	1,925	115	245	340	385	75	615	390	225	505	770	85	450	1,005	19,850	30,995
Int	155	155	-	-	27	125	30	52	92	188	253	90	337	126	309	19	40	55	62	12	113	80	46	105	160	18	93	209	2,641	2,796

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, 2025

2037 Prin	-	-	-	-	-	1,885	450	585	1,170	1,845	2,015	720	2,245	840	1,960	120	250	345	390	75	625	395	230	515	785	90	460	1,025	19,020	19,020	
Int	-	-	-	-	-	84	20	39	66	147	209	75	288	108	270	16	35	48	54	11	101	71	41	95	144	16	84	189	2,211	2,211	
2038 Prin	-	-	-	-	-	1,925	460	600	1,195	1,885	2,060	735	2,295	860	2,000	120	255	355	400	80	640	405	235	530	800	90	465	1,045	19,435	19,435	
Int	-	-	-	-	-	43	10	26	40	106	165	59	238	89	231	14	30	41	46	9	88	62	36	85	128	14	75	168	1,803	1,803	
2039 Prin	-	-	-	-	-	-	-	610	1,220	1,925	2,105	750	2,345	880	2,040	120	260	360	405	80	655	415	240	540	815	90	475	1,065	17,395	17,395	
Int	-	-	-	-	-	-	-	13	13	65	119	42	187	70	191	11	24	33	38	7	75	53	31	74	112	13	66	147	1,385	1,385	
2040 Prin	-	-	-	-	-	-	-	-	-	1,970	2,150	770	2,395	900	2,080	125	265	370	415	80	665	425	245	550	830	95	485	1,085	15,900	15,900	
Int	-	-	-	-	-	-	-	-	-	21	72	26	135	51	150	9	19	27	30	6	62	44	26	63	96	11	56	126	1,028	1,028	
2041 Prin	-	-	-	-	-	-	-	-	-	-	2,195	785	2,450	915	2,120	125	270	375	425	80	680	435	250	560	845	95	495	1,110	14,210	14,210	
Int	-	-	-	-	-	-	-	-	-	-	24	9	82	31	108	6	14	19	22	4	49	35	20	52	79	9	46	104	712	712	
2042 Prin	-	-	-	-	-	-	-	-	-	-	-	-	2,500	935	2,165	130	275	385	430	85	690	440	255	570	865	95	505	1,130	11,455	11,455	
Int	-	-	-	-	-	-	-	-	-	-	-	-	28	10	65	4	8	12	13	3	35	25	14	41	62	7	36	81	445	445	
2043 Prin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,205	130	285	390	440	85	705	450	260	580	880	100	515	1,150	8,175	8,175	
Int	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22	3	3	4	4	1	21	15	8	30	45	5	26	59	245	245	
2044 Prin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	720	460	270	595	900	100	525	1,175	4,745	4,745	
Int	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7	5	3	18	27	3	16	36	115	115	
2045 Prin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	605	915	100	535	1,200	3,355	3,355	
Int	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6	9	1	5	12	33	33	
Prin	98,805	98,805	8,345	10,220	12,050	22,020	5,245	7,450	14,895	25,460	30,000	10,720	35,940	13,465	33,775	2,025	4,320	5,975	6,730	1,315	11,520	7,265	4,210	10,110	15,310	1,710	8,945	20,010	329,030	427,835	
Premium	3,300	3,300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,300
Total Prin	102,105	102,105	8,345	10,220	12,050	22,020	5,245	7,450	14,895	25,460	30,000	10,720	35,940	13,465	33,775	2,025	4,320	5,975	6,730	1,315	11,520	7,265	4,210	10,110	15,310	1,710	8,945	20,010	329,030	431,135	
Interest	16,890	16,890	875	1,293	1,648	3,542	843	1,284	2,411	4,429	5,585	1,916	7,133	2,673	6,404	384	819	1,133	1,277	249	2,313	1,622	939	2,143	3,245	362	1,896	4,243	60,661	77,552	
Premium	(3,300)	(3,300)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,300)
Total Int	13,590	13,590	875	1,293	1,648	3,542	843	1,284	2,411	4,429	5,585	1,916	7,133	2,673	6,404	384	819	1,133	1,277	249	2,313	1,622	939	2,143	3,245	362	1,896	4,243	60,661	74,252	
Total P & I	\$ 115,695	\$ 115,695	\$ 9,220	\$ 11,513	\$ 13,698	\$ 25,562	\$ 6,088	\$ 8,734	\$ 17,306	\$ 29,889	\$ 35,585	\$ 12,636	\$ 43,073	\$ 16,138	\$ 40,179	\$ 2,409	\$ 5,139	\$ 7,108	\$ 8,007	\$ 1,564	\$ 13,833	\$ 8,887	\$ 5,149	\$ 12,253	\$ 18,555	\$ 2,072	\$ 10,841	\$ 24,253	\$ 389,691	\$ 505,387	

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

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						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	Total Principal and Interest Requirements - Parity and Subordinated ****		
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	
2023	\$ 132,217,209	\$ 66,336,813	\$ 65,880,396	\$ 5,870,000	\$ 5,364,431	\$ 11,234,431	5.86	\$ 12,185,000	\$ 6,279,875	\$ 18,464,875	\$ 29,699,306	2.22	
2024	\$ 136,206,136	\$ 73,009,616	\$ 63,196,520	\$ 1,525,000	\$ 2,887,959	\$ 4,412,959	14.32	# \$ 14,905,000	\$ 6,088,168	\$ 20,993,168	\$ 25,406,127	2.49	
2025	\$ 139,853,188	\$ 70,992,516	\$ 68,860,672	\$ 4,840,000	\$ 2,757,819	\$ 7,597,819	9.06	# \$ 15,530,000	\$ 7,000,582	\$ 22,530,582	\$ 30,128,401	2.29	

** 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.

See Independent Auditor's Report on Supplementary Information.

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
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
2023	92,716	\$103,555	\$281,019	\$384,574	\$4,148
2024	92,048	\$102,030	\$290,090	\$392,120	\$4,260
2025	91,959	\$98,805	\$329,030	\$427,835	\$4,652

See Independent Auditor's Report on Supplementary Information.

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>
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
2023	\$3,284,034,000	\$5,804,784,700
2024	\$3,751,969,800	\$6,661,877,760
2025	\$3,878,860,740	\$6,991,368,440

Source: 2016 through 2025 - 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
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
2023	411,291	51,263	\$ 27,942	\$ 51,169	196,951	3.5%	190,147
2024	411,640	50,319	\$ 32,032	\$ 58,119	194,816	3.9%	187,245
2025	412,339	52,000	\$ 33,306	\$ 58,880	188,135	2.8%	182,822

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

See Independent Auditor's Report on Supplementary Information.

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>
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
2023	4,414	\$253,789	\$224,846	2.30
2024	4,441	\$263,882	\$231,500	3.20
2025	4,230	\$271,550	\$243,719	3.80

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
2025 AND NINE YEARS AGO**

<u>Employer</u>	<u>2025</u>			<u>2016</u>		
	<u>Full-Time Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Full-Time Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Univ of South Alabama & USA Medical Facilities	9,600	1	5.04%	6,000	2	3.22%
Mobile County Public School System	7,200	2	3.78%	7,500	1	4.03%
Infirmary Health System	4,700	3	2.47%	5,000	3	2.68%
Austal USA	3,500	4	1.84%	4,000	4	2.15%
Airbus	2,000	5	1.05%			
City of Mobile	2,000	6	1.05%	2,140	5	1.15%
AM/NS Calvert (formerly ThyssenKrupp Steel)	1,800	7	0.94%	1,600	8	0.86%
Altapointe	1,700	8	0.89%			0.00%
Springhill Medical Center	1,600	9	0.84%	1,300	10	
Mobile County	1,600	10	0.84%	1,670	7	0.90%
CPSI	-	-		1,950	6	1.05%
Providence Hospital	-	-		1,540	9	0.83%
Totals	<u>35,700</u>		<u>18.73%</u>	<u>32,700</u>		<u>16.86%</u>
Total Number of Employees - All Mobile County Employers	<u>190,616</u>			<u>186,243</u>		

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)
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
2022-2023	68.06	60.31	107.70	(03/24)	110.10	(08/18)	39.08	55.36
2023-2024	64.22	45.07	106.70	(11/19)	108.80	(7/1)	19.24	57.82
2024-2025	66.40	56.45	107.50	(11/1)	109.80	(12/15)	27.61	56.46
10 Year Average	66.44	61.93	107.79		110.47		40.22	54.44

(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, 2025**

		<u>E. M. STICKNEY</u> <u>WATER</u> <u>FILTRATION</u> <u>FACILITY</u>	<u>H. E. MYERS</u> <u>WATER</u> <u>FILTRATION</u> <u>FACILITY</u>	<u>COMBINED</u> <u>WATER</u> <u>FILTRATION</u> <u>FACILITIES</u>
January	Total Million Gallons:	917.28	403.67	1,320.95
	Daily Average:	29.59	13.02	42.61
	Daily Maximum:	48.02	18.01	66.03
	Daily Minimum:	21.79	10.93	32.72
February	Total Million Gallons:	723.70	353.81	1,077.51
	Daily Average:	25.85	12.64	38.48
	Daily Maximum:	31.34	17.13	48.47
	Daily Minimum:	21.78	9.89	31.67
March	Total Million Gallons:	745.31	409.09	1,154.40
	Daily Average:	24.04	13.20	37.24
	Daily Maximum:	30.44	16.81	47.26
	Daily Minimum:	20.64	10.72	31.36
April	Total Million Gallons:	737.21	450.51	1,187.72
	Daily Average:	24.57	15.02	39.59
	Daily Maximum:	28.85	16.97	45.83
	Daily Minimum:	18.44	9.57	28.02
May	Total Million Gallons:	743.74	462.30	1,206.04
	Daily Average:	23.99	14.91	38.90
	Daily Maximum:	28.78	15.78	44.56
	Daily Minimum:	17.95	13.33	31.28
June	Total Million Gallons:	753.06	447.14	1,200.20
	Daily Average:	25.10	14.90	40.01
	Daily Maximum:	30.83	16.01	46.84
	Daily Minimum:	21.27	12.00	33.27
July	Total Million Gallons:	787.68	471.73	1,259.41
	Daily Average:	25.41	15.22	40.63
	Daily Maximum:	30.87	16.02	46.89
	Daily Minimum:	19.23	12.59	31.82
August	Total Million Gallons:	769.60	453.06	1,222.66
	Daily Average:	24.83	14.61	39.44
	Daily Maximum:	30.37	15.23	45.60
	Daily Minimum:	19.81	11.26	31.07
September	Total Million Gallons:	796.75	445.27	1,242.02
	Daily Average:	26.56	14.84	41.40
	Daily Maximum:	34.33	15.52	49.86
	Daily Minimum:	21.75	14.00	35.75
October	Total Million Gallons:	757.71	458.54	1,216.25
	Daily Average:	24.44	14.79	39.23
	Daily Maximum:	32.11	16.52	48.62
	Daily Minimum:	20.60	12.92	33.52
November	Total Million Gallons:	732.84	398.93	1,131.77
	Daily Average:	24.43	13.30	37.73
	Daily Maximum:	30.18	16.43	46.61
	Daily Minimum:	19.29	9.90	29.19
December	Total Million Gallons:	809.67	339.55	1,149.23
	Daily Average:	26.12	10.95	37.07
	Daily Maximum:	31.85	15.40	47.24
	Daily Minimum:	19.97	9.76	29.73
Annual	Total Million Gallons:	9,274.55	5,093.61	14,368.16
	Daily Average:	25.41	13.95	39.36
	Daily Maximum:	48.02	18.01	66.03
	Daily Minimum:	17.95	9.57	28.02

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.)
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
2023	26.25	9,582.02	43.8%	14.94	5,452.78	49.8%	41.19	15,034.80	45.8%	15.03
2024	26.42	9,643.18	44.0%	14.00	5,110.16	46.7%	40.42	14,753.34	44.9%	14.75
2025	25.41	9,274.55	42.3%	13.96	5,093.61	46.5%	39.36	14,368.16	43.7%	14.37
10 Year Average	26.67	9,736.69	44%	12.12	4,426.05	40%	38.80	14,162.74	43%	14.16

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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)
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
2023	28.0	20.24	55.97	12.8	8.67	19.27
2024	28.0	21.77	51.95	12.8	9.01	66.00
2025	28.0	22.18	63.34	12.8	8.99	25.76
10 Year Average	28.0	22.9	64.0	12.8	9.2	28.9

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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)	Constructed Daily Capacity (MGD)	Avg. Daily Flow (MGD)	Peak Daily Flow (MGD)
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
2023 **	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2024 **	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2025 **	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
7 Year Average (2016 - 2022)	0.060	0.016	0.024	0.056	0.052	0.066	0.020	0.004	0.008

** During 2023, MAWSS sold the remaining Decentralized Facilities (Snow Rd and Hutchens). There will be no data moving forward.

See Independent Auditor’s Report on Supplementary Information.

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

**C.C. WILLIAMS WWTF
2025 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	43.80	99,232.00	235,363.00	168,056.00	1.34	1,520.00	480.00	67.00	400.00	884,000.00	230,000.00
	Min	20.00	15,899.00	-	74.00	-	710.00	315.00	24.00	-	37,000.00	38,000.00
	Avg	26.88	51,340.74	84,651.23	59,249.48	0.11	1,059.52	409.19	47.84	25.81	301,709.68	131,903.23
February	Max	36.43	142,250.00	206,294.00	197,345.00	1.00	1,800.00	525.00	72.00	200.00	722,000.00	377,000.00
	Min	20.31	2,822.00	-	23,947.00	-	85.00	330.00	38.00	-	25,000.00	98,000.00
	Avg	23.86	59,934.76	90,835.61	96,439.80	0.13	1,070.54	416.43	58.91	28.57	295,428.57	213,285.71
March	Max	39.37	160,575.00	188,562.70	312,589.00	1.12	2,350.00	470.00	71.50	225.00	730,000.00	454,000.00
	Min	18.74	15,209.00	-	28,916.00	-	540.00	350.00	53.00	-	-	-
	Avg	23.04	79,231.32	93,379.22	127,825.68	0.16	989.68	403.23	64.15	27.90	346,032.26	213,483.87
April	Max	63.34	165,155.00	243,328.00	152,968.00	7.40	2,180.00	520.00	77.50	400.00	745,000.00	403,000.00
	Min	19.74	1,114.00	-	78,600.00	-	670.00	260.00	52.00	-	1,000.00	70,000.00
	Avg	28.73	58,765.67	87,076.97	103,400.77	0.27	1,160.67	385.67	70.77	74.00	221,566.67	180,300.00
May	Max	59.72	138,437.00	169,954.00	96,653.00	2.81	2,350.00	420.00	690.00	200.00	738,000.00	452,000.00
	Min	19.84	12,117.00	-	23,083.00	-	800.00	310.00	67.00	-	-	-
	Avg	28.57	59,241.13	80,277.77	83,638.84	0.38	1,250.32	378.06	96.19	32.26	202,645.16	168,677.42
June	Max	35.17	135,053.00	253,372.00	111,744.00	2.40	1,960.00	600.00	87.00	270.00	497,000.00	324,000.00
	Min	18.72	3,390.00	-	85,006.00	-	440.00	260.00	76.00	-	-	66,000.00
	Avg	24.30	76,441.76	90,393.76	94,564.07	0.24	1,111.00	409.00	81.58	44.67	151,266.67	175,703.70
July	Max	39.79	117,186.00	170,759.00	111,928.00	0.61	1,140.00	610.00	91.00	270.00	603,000.00	225,000.00
	Min	18.71	17,575.00	-	85,011.00	-	500.00	240.00	79.50	-	-	3,000.00
	Avg	21.64	81,502.10	104,034.32	102,654.42	0.10	744.19	412.90	84.39	41.29	124,483.87	48,225.81
August	Max	31.90	124,932.00	184,985.00	85,015.00	1.16	1,000.00	500.00	86.50	275.00	521,000.00	280,000.00
	Min	17.12	34,349.00	-	80,012.00	-	470.00	230.00	74.00	-	-	3,000.00
	Avg	19.81	85,482.82	92,487.65	83,452.74	0.12	666.13	375.81	82.61	32.74	152,954.84	22,903.23
September	Max	19.95	116,271.00	163,913.00	100,015.00	0.45	1,450.00	520.00	86.00	270.00	513,000.00	124,000.00
	Min	15.78	43,851.00	-	80,012.00	-	320.00	330.00	71.50	-	-	7,000.00
	Avg	17.25	83,804.48	98,615.46	90,680.23	0.02	614.33	392.67	79.00	45.00	166,800.00	49,266.67
October	Max	21.63	106,227.00	216,467.00	100,030.00	0.74	720.00	440.00	79.00	270.00	593,000.00	352,000.00
	Min	15.35	24,210.00	-	100,012.00	-	440.00	240.00	51.00	-	-	3,000.00
	Avg	16.88	79,630.54	110,873.42	100,017.23	0.10	565.16	374.19	70.68	26.13	207,483.87	21,000.00
November	Max	20.41	107,442.00	241,058.00	114,637.00	0.46	1,020.00	430.00	72.00	270.00	1,221,000.00	12,000.00
	Min	13.77	45,406.00	-	87,812.00	-	260.00	170.00	40.00	-	7,000.00	-
	Avg	15.86	84,215.62	98,642.15	97,544.62	0.02	492.67	316.00	61.07	36.00	353,400.00	3,900.00
December	Max	37.75	104,701.00	221,832.00	113,886.00	2.54	780.00	460.00	65.00	270.00	650,000.00	6,000.00
	Min	15.74	14,169.00	-	218.00	-	-	180.00	28.50	-	8,000.00	1,000.00
	Avg	19.31	79,647.03	114,140.49	103,091.89	0.22	533.55	375.10	54.19	60.97	404,032.26	2,838.71
Annual	Max	63.34	165,155.00	253,372.00	312,589.00	7.40	2,350.00	610.00	690.00	400.00	1,221,000.00	454,000.00
	Min	13.77	1,114.00	-	74.00	-	-	170.00	24.00	-	-	-
	Avg	22.18	73,269.83	95,450.67	95,213.31	0.16	854.81	387.35	70.95	39.61	243,983.65	102,624.03

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
2025 STATISTICS**

Month		Eff Flow mgd	Rain inches	CL2 lbs	SO2 lbs	Grit ft3
January	Max	17.42	1.20	436.00	291.00	-
	Min	7.70	-	152.00	55.00	-
	Avg	10.60	0.09	275.94	175.55	-
February	Max	13.32	1.06	330.00	212.00	-
	Min	7.53	-	182.00	123.00	-
	Avg	9.08	0.12	216.82	148.64	-
March	Max	20.23	2.90	357.00	236.00	-
	Min	7.44	-	156.00	65.00	-
	Avg	9.06	0.24	202.61	135.06	-
April	Max	25.76	8.90	453.00	359.00	-
	Min	6.96	-	151.00	99.00	-
	Avg	10.60	0.31	215.77	162.30	-
May	Max	23.78	3.50	414.00	332.00	-
	Min	7.20	-	133.00	103.00	-
	Avg	10.60	0.32	205.48	157.58	-
June	Max	15.36	1.90	391.00	236.00	-
	Min	6.29	-	137.00	58.00	-
	Avg	10.07	0.28	248.57	158.80	-
July	Max	17.44	0.74	414.00	255.00	-
	Min	7.30	-	185.00	86.00	-
	Avg	9.09	0.09	231.00	137.52	-
August	Max	11.27	1.52	248.00	168.00	-
	Min	6.97	-	138.00	77.00	-
	Avg	8.19	0.14	178.90	113.13	-
September	Max	9.16	0.79	301.00	144.00	-
	Min	6.01	-	124.00	26.00	-
	Avg	7.46	0.04	156.70	89.83	-
October	Max	9.52	1.22	288.00	129.00	-
	Min	6.77	-	125.00	82.00	-
	Avg	7.52	0.09	174.97	94.29	-
November	Max	8.15	58.00	375.00	126.00	-
	Min	6.46	-	37.00	81.00	-
	Avg	7.17	1.94	194.10	96.80	-
December	Max	15.00	2.15	584.00	170.00	-
	Min	5.99	-	104.00	67.00	-
	Avg	8.48	0.15	239.00	113.19	-
Annual	Max	25.76	58.00	584.00	359.00	-
	Min	5.99	-	37.00	26.00	-
	Avg	8.99	0.32	211.65	131.89	-

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
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
2023	89,068	86,568	92,716
2024	88,031	85,240	92,048
2025	87,862	85,470	91,959

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**

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Water Supply	3	5	5	6	7	3	3	3	4	4
Water Treatment	25	27	30	30	29	28	35	34	34	32
Wastewater Treatment	36	40	43	43	43	34	40	39	38	36
Transmission and Collection	147	146	159	157	160	115	113	113	119	120
Support Services	46	44	48	47	49	43	37	35	35	30
Supervision, Engineering, Accounting, Collections, and General Expense	139	134	145	145	136	114	102	106	105	108
	<u>396</u>	<u>396</u>	<u>430</u>	<u>428</u>	<u>423</u>	<u>337</u>	<u>330</u>	<u>330</u>	<u>335</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 2025 CAPITAL IMPROVEMENT PROJECT EXPENDITURES

<u>PROJECT NUMBER</u>	<u>WATER PROJECTS</u>	<u>AMOUNT</u>
2401551	Stickney Water Treatment Plant Solids Management Upgrades	\$ 634,001
2401555	Stickney Water Treatment Plant Basin Structural Rehabilitation	182,665
3521300	Myers WTP Scada Improvements & System-Wide Water & Wastewater	870,944
10195981	Stickney Reservoir Improvements	5,317,241
10199152	Stickney Electrical Upgrade	1,776,575
10382667	Myers Pump Replacements	52,430
10391316	Stickney Water Treatment Plant Filter Rehab & Scada Upgrades	660,799
10447073	Stickney Sludge Collectors	43,857
17642004	MAWSS Causeway Water Main Replacement	88,374
175578363	Big Creek Lake Dam-Toe Berm	3,406,863
2022-1438A-003A	Waterline Replacement Multiple Locations	41,707
2852500-07	Airport-Snow Booster Station Modifications	20,637
M5712-2673	Mobile River 16" Waterline Replacement	3,294,545
M5712-2710	Large Water Line Valve Replacement-Springhill at Moffett	1,393,172
M5712-2759	Roof Replacement At Myers Water Treatment Facility	152,949
M5712-2766	Crestview Subdivision Waterline Replacement And Abandon Transit Pipe - Phase 1	1,633,886
M5712-2766 PH-2	Crestview Subdivision Waterline Replacement And Abandon Transit Pipe - Phase 2	128,851
M5712-2767	2024 Annual Contract for Waterline Loops	73,820
M5712-2799	Mobile Amtrak Station Water Line Relocation	604,728
M5712-2815	2025 Annual Contract for Replacement of HDPE Water Services	315,031
M5712-2817	2025 Annual Contract for Waterline Loops	371,008
VARIOUS	Miscellaneous Water Projects	49,651
		21,113,733
	<u>WASTEWATER PROJECTS</u>	
100316.42	Three Mile Phase III	352,227
100316.43	Florida Street Phase III Lateral Rehabilitation	145,211
1201846.002	C. C. Williams S1 Digester Repairs	2,097,813
2402007	C. C. Williams Headworks Rehabilitation And Odor Control	209,676
3226100	C. C. Williams Dewatering Facility and Other Improvements	24,255
3424000	Norton Lane Severe Weather Attenuation Tank and Lift Station	22,106,879
3719000	Williams WWTP Aeration Basin Replacement Conceptual Design	66,204
3722900	Gaillard Pump Station Emergency Bypass Connection	100,835
3788300	Halls Mill Surge Tank	33,097
4041400	C. C. Williams WWTP Treatment Capacity Expansion Pilot Study	33,584
17642006	Perch Creek Lift Station Replacement	486,060
CMOB190299	Eslava Creek Trunk Sewer Upgrades	14,141,080
CMOB230048	Halls Mill to Eslava Creek Force Main Failure Mitigation	515,536
CMOB250034	Wright Smith WWTP Primary Digester No. 2 Modifications	106,000
M5712-2650 PH-1	Eslava Creek Force Main Replacement Phase 1	26,325
M5712-2650 PH-3(S)	Eslava Creek Force Main Replacement Phase 3 Sliplining	2,515,243
M5712-2650 PH-4(S)	Eslava Creek Fm Replacement Phase 4 Sliplining	5,840,174
M5712-2700	Perch Creek Sanitary Sewer Trunk Line CIPP Phase 1	145,834
M5712-2700	Perch Creek Sanitary Sewer Trunk Line CIPP Phase 2	195,087
M5712-2744-2	2023 Annual Contract for Cured-In-Place Pipe Rehabilitation of the Public Portion of Sanitary Sewer Laterals Year 2	167,261
M5712-2744-3	2023 Annual Contract for Cured-In-Place Pipe Rehabilitation of the Public Portion of Sanitary Sewer Laterals Year 3	399,267
M5712-2765-2	2024 Annual Contract for Sewer Line Repair Year 2	258,014
M5712-2775-2	2024 Annual Contract for Cured-In-Place Pipe Rehabilitation of Large Diameter Sanitary Sewer Year 2	184,316
M5712-2777-2	2024 Annual Contract for Manhole Rehabilitation Year 2	500,162
M5712-2778	Aluminum Emergency Gas Scrubber Blower System Williams/Wright Smith	407,176
M5712-2780	2024 Annual Contract-Access Roads and Easement Maintenance Year 1	17,663
M5712-2780-2	2024 Annual Contract-Access Roads and Easement Maintenance Year 2	1,145,094
M5712-2782	2024 Annual Contract-Manhole Frames Year 1	34,734
M5712-2782-2	2024 Annual Contract-Manhole Frames Year 2	111,084
M5712-2804	Smith Abandoned Facilities Demolition	243,737
M5712-2806	2025 Annual Contract Low Pressure Sewer Check Valve	101,122
M5712-2809	2025 Annual Contract for Cured-In-Place Pipe Rehabilitation of Small Diameter Sanitary Sewer Year 1	1,667,912
M5712-2811	2025 Annual Contract For Sewer Replacement At Various Locations	395,643
M5712-2812	Schillinger Road Lift Station Force Main Air Release Valve Replacement	141,044
M5712-2813	Smith WWTF Entrance Road Improvements	813,214
M5712-2816	Eight Mile Creek 18" Sewer Line Replacement	1,349,156
M5712-2826	Scott Dairy Loop-Dawes Lake Road Sewer Force Main	431,103
M5712-2827	2025 Annual Contract For Manhole Maintenance	23,979
VARIOUS	Miscellaneous Wastewater Projects	67,782
		57,600,584

(continued)

See Independent Auditor's Report on Supplementary Information.

BOARD OF WATER AND SEWER COMMISSIONERS OF THE CITY OF MOBILE
SCHEDULE OF 2025 CAPITAL IMPROVEMENT PROJECT EXPENDITURES
(CONTINUED)

<u>PROJECT NUMBER</u>	<u>OTHER PROJECTS</u>	<u>AMOUNT</u>
2852400	Stickney and Myers Scada Project	223,456
3755100	Smith WWTP Electrical and HVAC Upgrades	704,128
3820300	Gaillard Pump Station Electrical Modifications and Improvement	159,870
10315599	Underground Fuel Storage Tank Replacement	1,621,477
10355207	Stickney WTP Physical Security Improvements	65,873
2852200-04	Park Forest Scada OT Servers	46,711
2852200-12	Lift Station Scada Radio Replacement	61,618
AMOB230011	Renovations To The Operations Building & Low Head Pump Building	98,637
AMOB230104	Renovations and Audio Visual Upgrades to Board Room and Conference Rooms	42,837
AMOB240023	C.C. Williams Administration Building Renovations	24,781
AMOB240029	MAWSS Kiosk Project	184,669
AMOB240078	Pre-Engineered Maintenance Building @ Smith WWTP	34,629
AMOB240084	MAWSS Operations Building Renovation	19,500
AMOB250028	C.C. Williams Maintenance Building Wood Floor Replacement	61,274
M5712-2639	Bridge Replacement SR-16 US 90 Utility Relocation	72,824
M5712-2769	Leo Street Water and Sewer Line Replacement	336,489
M5712-2798	Improvements For Defective 36" Water Valve On Moffett Road	1,204,837
M5712-2800	Springhill Avenue Connection of 36" to 30" Water Line	16,265
M5712-2820	Williams WWTF Headworks MCC HVAC Replacement	196,504
M5712-2834	Fox Landing Boat Facility	28,049
VARIOUS	Miscellaneous Other Projects	13,923
		5,218,351
	<u>TOTAL CAPITAL PROJECT EXPENDITURES - 2025</u>	\$ 83,932,668

See Independent Auditor's Report on Supplementary Information.

SINGLE AUDIT SECTION



SmithDukes

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

Independent Auditor's Report

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, 2025, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated May 26, 2026.

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.

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

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 or significant deficiencies may exist that were not 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Smith, Duke and Buchelew, LLP

Mobile, Alabama
May 26, 2026

SmithDukes

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

Independent Auditor's Report

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, 2025. The Board's major federal programs are 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, 2025.

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.

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

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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Board's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Smith, Duke and Buchalow, LLP

Mobile, Alabama
May 26, 2026

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2025**

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identification Number</u>	<u>Federal Expenditures</u>
<u>U.S. Environmental Protection Agency:</u>			
Passed through Alabama Department of Environmental Management:			
Clean Water State Revolving Fund (CWSRF) Cluster			
Clean Water State Revolving Fund	66.458	CWSRF-DL	\$ 40,031,049
Total Clean Water State Revolving Fund (CWSRF) Cluster			<u>40,031,049</u>
Drinking Water State Revolving Fund (DWSRF) Cluster			
Drinking Water State Revolving Fund	66.468	DWSRF-DL	27,002,278
Total Drinking Water State Revolving Fund (DWSRF) Cluster			<u>27,002,278</u>
<u>Gulf Coast Ecosystem Restoration Council:</u>			
Passed through Alabama Department of Conservation and Natural Resources:			
Gulf Coast Ecosystem Restoration Council	87.052	S1P12-PCSS	334,467
Total Expenditures of Federal Awards			<u>\$ 67,367,794</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, 2025**

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, 2025. 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 15 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, 2025**

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(ies) identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	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:

Assistance Listing Number:	Name of Federal Program or Cluster:
<u>66.468</u>	<u>Clean Water State Revolving Fund</u>

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 2,021,034
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

No findings to be reported.

Section III - Federal Awards Findings

No findings 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, 2025**

There were no prior year findings reported.