

**THE WATER WORKS BOARD  
OF THE CITY OF BIRMINGHAM**

**FINANCIAL STATEMENTS  
AND OTHER INFORMATION**

**2021 and 2020**

**With Independent Auditor's Report**

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**Birmingham, Alabama**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
The Water Works Board of the City of Birmingham  
Birmingham, Alabama

### **Report on the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the business-type activities of The Water Works Board of the City of Birmingham ("the Board") as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Board, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Retirement Plan for Employees of the Water Works Board of the City of Birmingham and the Other Post Employment Benefit Plan of the Water Works Board of the City of Birmingham ("the Plans"), discretely presented component units of the Board. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Plans, is based solely on the report of the other auditors.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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



To the Board of Directors of  
The Water Works Board of the City of Birmingham  
Birmingham, Alabama  
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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 Responsibility 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.



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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in net pension liability and related ratios and employer contributions, and the schedules changes in net OPEB liability and related ratios, and employer contributions on pages 5 thru 9 and 54 thru 57 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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, and other auditors, have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Management is responsible for the other information included in the annual report. Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The additional information section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedules of long-term debt, changes in utility plant assets, amounts on deposit with trustee by fund and the statements of operating expenses and nonoperating revenues (expenses) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of long-term debt, changes in utility plant assets, amounts on deposit with trustee by fund and the statements of operating expenses and nonoperating revenues (expenses) are fairly stated in all material respects in relation to the basic financial statements as a whole.



To the Board of Directors of  
The Water Works Board of the City of Birmingham  
Birmingham, Alabama  
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The schedule of revenue bond coverage, schedule of major industrial/governmental customers, schedule of insurance policies and schedule of operation statistics have not been subjected to the auditing procedures applied in the audit of the basic financial statements. Our opinions on the basis financial statements do not cover the schedule of revenue bond coverage, schedule of major industrial/governmental customers, schedule of insurance policies and schedule of operation statistics, and we do not express an opinion or provide any 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 concluded 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 our report dated June 30, 2022, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

Birmingham, Alabama  
June 30, 2022

*Bank, Finley White & Co.*



**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
December 31, 2021**

This section of The Water Works Board of the City of Birmingham's ("the Board") financial statements presents management's analysis of the Board's financial performance during the fiscal year that ended December 31, 2021. Please read it in conjunction with the financial statements, which follow this section:

**Financial Highlights for 2021**

- The assets and deferred outflows of resources of the Board exceed its liabilities and deferred inflows of resources for the fiscal year 2021 by \$172.5 million. Of this amount, \$36.5 million may be used to meet the Board's ongoing obligations to customers and creditors.
- Total operating revenues decreased 2.61% primarily due to a decrease in residential sales as students return to school and employees return to the office.
- Total operating expenses decreased 1.85% primarily due to a decrease in pension and OPEB expenses resulting from favorable investment returns.
- Nonoperating expenses increased 2.72% primarily due to an increase in bond issue costs and amortization resulting from the Series 2021 Water Revenue Bond Refunding.

**Overview of the Financial Statements**

The Financial Statement consist of four parts: Management's Discussion and Analysis, the Basic Financial Statements, Required Supplementary Information and Additional Information. The Basic Financial Statements also include notes and required supplementary information that explain in more detail some of the information in the Financial Statements. As additional information, a schedule of Operation Statistics is included to provide operational information as a context for understanding the information in the financial statements.

**Required Basic Financial Statements**

The Board utilizes two different funds to account for its activities: an enterprise fund, which reports information about the general operations of the Board, and fiduciary funds, which report information about the Pension Trust Fund and the OPEB Trust Fund. For information regarding the fiduciary funds of the Board, see the Statements of Fiduciary Net Position Pension Trust Fund and the Statements of Fiduciary Net Position OPEB Trust Fund in the financial statements. The Pension Trust Fund and the OPEB Trust Fund issue separate annual audited financial statements which may be obtained by writing to the Board at 3600 First Avenue North, P.O. Box 830110, Birmingham, AL 35283.

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
December 31, 2021**

The Enterprise Fund Financial Statements of the Board report information about the Board using accounting methods similar to those used by private sector companies. These statements offer information about the Board's activities. The Statements of Net Position include all of the Board's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Board creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities. It also provides the basis for computing rate of return, evaluating the capital structure of the Board and assessing the liquidity and financial flexibility of the Board.

All of the Board's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. This statement measures the operating activities of the Board and can be used to determine whether the Board has successfully recovered all of its costs through its water rates and other charges, as well as its profitability and creditworthiness.

The final required financial statement is the Statements of Cash Flows. The primary purpose of this statement is to provide information about the Board's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and net changes in cash resulting from operating, investing, noncapital financing and capital and related financing activities and provides information regarding the sources and uses of cash that caused the change in the cash balance during the reporting period.

**Financial Analysis**

A summary of the Board's Enterprise Fund Statements of Net Position is presented in Table A-1.

Table A-1  
Condensed Statements of Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021-2020 Change</u>	<u>2020-2019 Change</u>
Current and other assets	\$ 80,582,145	\$ 75,564,625	\$ 63,858,650	\$ 5,017,520	\$ 11,705,975
Trusteed funds	184,387,710	216,380,526	240,491,306	(31,992,816)	(24,110,780)
Utility plant, net	<u>982,390,091</u>	<u>957,397,794</u>	<u>931,087,179</u>	<u>24,992,297</u>	<u>26,310,615</u>
Total assets	<u>\$ 1,247,359,946</u>	<u>\$ 1,249,342,945</u>	<u>\$ 1,235,437,135</u>	<u>\$ (1,982,999)</u>	<u>\$ 13,905,810</u>
Total deferred outflow of resources	<u>\$ 83,049,516</u>	<u>\$ 68,249,801</u>	<u>\$ 71,679,643</u>	<u>\$ 14,799,715</u>	<u>\$ (3,429,842)</u>
Current and other liabilities	\$ 81,877,633	\$ 76,060,699	\$ 64,591,361	\$ 5,816,934	\$ 11,469,338
Long-term liabilities	<u>1,048,745,601</u>	<u>1,078,966,112</u>	<u>1,121,927,041</u>	<u>(30,220,511)</u>	<u>(42,960,929)</u>
Total liabilities	<u>\$ 1,130,623,234</u>	<u>\$ 1,155,026,811</u>	<u>\$ 1,186,518,402</u>	<u>\$ (24,403,577)</u>	<u>\$ (31,491,591)</u>
Total deferred inflow of resources	<u>\$ 27,320,673</u>	<u>\$ 19,036,567</u>	<u>\$ 11,030,121</u>	<u>\$ 8,284,106</u>	<u>\$ 8,006,446</u>
Net investment in capital assets	\$ 38,531,239	\$ 75,095,745	\$ 56,088,199	\$ (36,564,506)	\$ 19,007,546
Restricted	170,480,702	161,474,962	162,177,755	9,005,740	(702,793)
Unrestricted	<u>(36,546,392)</u>	<u>(93,041,345)</u>	<u>(108,697,705)</u>	<u>56,494,953</u>	<u>15,656,360</u>
Total net position	<u>\$ 172,465,549</u>	<u>\$ 143,529,362</u>	<u>\$ 109,568,249</u>	<u>\$ 28,936,187</u>	<u>\$ 33,961,113</u>



**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
December 31, 2021**

As shown in Table A-1, net position increased \$28.9 million from fiscal 2020. Factors contributing to this change include an increase in current assets of \$5.0 million. Trusteed funds decreased \$32.0 million and net utility plant increased \$25.0 million from continued capital construction programs. Total assets decreased \$2.0 million. Deferred outflows increased \$14.8 million, primarily resulting from the refunding of debt and the pension liability. Total current and other liabilities increased \$5.8 million, primarily due to an accrual for litigation. Total liabilities decreased \$24.4 million in 2021. Deferred inflows increased \$8.3 million, primarily resulting from an increase in the pension and OPEB liabilities.

A summary of the Board's Enterprise Fund Statements of Revenues, Expenses and Changes in Net Position is presented in Table A-2.

Table A-2  
Condensed Statements of Revenues, Expenses and Changes in Fund Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021-2020 Change</u>	<u>2020-2019 Change</u>
Water revenue	\$ 177,870,740	\$ 183,709,311	\$ 183,999,147	\$ (5,838,571)	\$ (289,836)
Other operating revenue	<u>17,288,224</u>	<u>16,672,957</u>	<u>17,971,153</u>	<u>615,267</u>	<u>(1,298,196)</u>
Total operating revenue	195,158,964	200,382,268	201,970,300	(5,223,304)	(1,588,032)
Other income, primarily interest	<u>2,398,656</u>	<u>2,065,395</u>	<u>5,668,656</u>	<u>333,261</u>	<u>(3,603,261)</u>
Total revenues	197,557,620	202,447,663	207,638,956	(4,890,043)	(5,191,293)
Water and sewer service expenses	99,216,142	101,002,059	99,672,358	(1,785,917)	1,329,701
License fees paid to municipalities	<u>4,469,779</u>	<u>4,642,656</u>	<u>4,555,422</u>	<u>(172,877)</u>	<u>87,234</u>
Total operating expenses	<u>103,685,921</u>	<u>105,644,715</u>	<u>104,227,780</u>	<u>(1,958,794)</u>	<u>1,416,935</u>
Depreciation	31,478,871	31,160,197	30,862,083	318,674	298,114
Other expenses, primarily interest on debt	<u>38,325,650</u>	<u>37,040,585</u>	<u>39,470,024</u>	<u>1,285,065</u>	<u>(2,429,439)</u>
Total expenses	<u>173,490,442</u>	<u>173,845,497</u>	<u>174,559,887</u>	<u>(355,055)</u>	<u>(714,390)</u>
Gain (loss) before contributions	24,067,178	28,602,166	33,079,069	(4,534,988)	(4,476,903)
Capital contributions	<u>4,869,013</u>	<u>5,358,947</u>	<u>5,534,102</u>	<u>(489,934)</u>	<u>(175,155)</u>
Change in net position	28,936,191	33,961,113	38,613,171	(5,024,922)	(4,652,058)
Net position at beginning of the year	<u>143,529,362</u>	<u>109,568,249</u>	<u>70,955,078</u>	<u>33,961,113</u>	<u>38,613,171</u>
Net position at end of the year	<u>\$ 172,465,553</u>	<u>\$ 143,529,362</u>	<u>\$ 109,568,249</u>	<u>\$ 28,936,191</u>	<u>\$ 33,961,113</u>

With total operating and nonoperating revenues of \$197.6 million and capital contributions of \$4.9 million amounting to \$202.4 million and expenses of \$173.5 million, the Board's net position increased \$28.9 million in 2021 to \$172.5 million.

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
December 31, 2021**

**Financial Operations Summary**

**Utility Plant**

The Board's utility plant increased by \$54.5 million during 2021. Major expenditures were made to maintain regulatory compliance, ensure adequate capacity, enhance performance and to maintain and replace aging infrastructure. Total assets before depreciation stood at \$1,459.2 million and \$1,404.7 million for 2021 and 2020, respectively. Changes in utility plant (before accumulated depreciation) are displayed in the table below. At 2021, commitments for capital expenditures totaled approximately \$24.9 million.

**Changes in Utility Plant  
Year-to-Year Comparison**

Utility Plant	2021	2020	2019	2021-2020 Change	2020-2019 Change
Land and land rights	\$ 40,099,378	\$ 39,112,928	\$ 38,026,613	\$ 986,450	\$ 1,086,315
Construction-in-progress	140,648,971	115,235,584	83,104,840	25,413,387	32,130,744
Structures and improvements	222,476,067	219,213,332	213,223,210	3,262,735	5,990,122
Pumping equipment	39,747,004	38,831,466	38,192,157	915,538	639,309
Transmission and distribution mains	526,888,716	510,467,443	500,993,843	16,421,273	9,473,600
Equipment and other utility plant	<u>489,323,986</u>	<u>481,793,274</u>	<u>480,810,466</u>	<u>7,530,712</u>	<u>982,808</u>
	<u>\$ 1,459,184,122</u>	<u>\$ 1,404,654,027</u>	<u>\$ 1,354,351,129</u>	<u>\$ 54,530,095</u>	<u>\$ 50,302,898</u>

**Debt Administration**

A summary of changes in debt obligations from 2021 to 2020, is presented as follows:

**Changes in Debt  
Year-to-Year Comparison**

Utility Plant	2021	2020	2019	2021-2020 Change	2020-2019 Change
Long-term debt	\$ 999,631,652	\$ 1,015,275,170	\$ 1,049,675,119	\$ (15,643,518)	\$ (34,399,949)
Current maturities of long-term debt	<u>31,415,000</u>	<u>27,535,000</u>	<u>24,565,000</u>	<u>3,880,000</u>	<u>2,970,000</u>
Total debt obligations	<u>\$ 1,031,046,652</u>	<u>\$ 1,042,810,170</u>	<u>\$ 1,074,240,119</u>	<u>\$ (11,763,518)</u>	<u>\$ (31,429,949)</u>

Standard and Poor's and Moody's Investor Services, both of which are widely recognized bond rating agencies, rated the Board's Water Revenue Bonds, Series 2021 at AA and Aa2, respectively

Debt service coverage on parity debt is required by the Board's bond indenture covenant to be maintained at a minimum of 1.25 times Revenue Available for Debt Service as defined in the bond indenture. Debt service coverage on parity debt was 2.00 in 2021.

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
December 31, 2021**

**Investment Portfolio**

Trusted fund balances at 2021 decreased by \$32.0 million from the end of 2020. This was mainly the result of the use of construction fund cash to fund capital projects.

**Economic Factors**

The Board continues working to strengthen the infrastructure and financial position of the water system to provide reliable, high quality water and services to its customers. Capital improvements driven by regulatory mandates continue to increase. In this environment, operating efficiencies are constantly sought to keep water rates as affordable as possible.

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**COMPARATIVE STATEMENTS OF NET POSITION**  
**ENTERPRISE FUND**  
**December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 46,052,651	\$ 32,730,957
Customer accounts receivable, net of allowance for doubtful accounts of \$7,002,391 and \$5,955,765 in 2021 and 2020, respectively	13,342,788	23,846,816
Unbilled water revenue	10,420,134	8,003,214
Other receivables	2,627,735	4,244,720
Materials and supplies	4,896,180	3,880,612
Prepaid expenses	<u>3,242,657</u>	<u>2,858,306</u>
Total current assets	80,582,145	75,564,625
 Trusteed (restricted) fund assets:		
Cash and cash equivalents	80,048,144	72,919,172
Investments	104,269,766	143,317,674
Interest accrued on securities	<u>69,800</u>	<u>143,680</u>
Total trustee fund assets	<u>184,387,710</u>	<u>216,380,526</u>
 Utility plant:		
Utility plant in service	1,318,535,151	1,289,418,443
Construction-in-progress	<u>140,648,971</u>	<u>115,235,584</u>
	1,459,184,122	1,404,654,027
Less accumulated depreciation	<u>(476,794,031)</u>	<u>(447,256,233)</u>
Net utility plant	982,390,091	957,397,794
 Total noncurrent assets	<u>1,166,777,801</u>	<u>1,173,778,320</u>
Total assets	<u>1,247,359,946</u>	<u>1,249,342,945</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on refundings of debt	66,596,144	47,897,382
Deferred outflow related to pension	10,665,463	13,579,418
Deferred outflow related to OPEB	<u>5,787,909</u>	<u>6,773,001</u>
Total deferred outflows of resources	<u>83,049,516</u>	<u>68,249,801</u>
 Total assets and deferred outflows of resources	<u>\$ 1,330,409,456</u>	<u>\$ 1,317,592,740</u>

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**COMPARATIVE STATEMENTS OF NET POSITION (CONT'D)**  
**ENTERPRISE FUND**  
**December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable, including contract retentions	\$ 24,979,245	\$ 22,493,446
General taxes payable	1,115,250	1,166,843
Accrued expenses	10,461,129	5,375,413
Current maturities of long-term obligations	<u>31,415,000</u>	<u>27,535,000</u>
	67,970,624	56,570,702
 Current liabilities payable from restricted assets:		
Interest accrued on long-term obligations	<u>13,907,009</u>	<u>19,489,997</u>
Total current liabilities	<u>81,877,633</u>	<u>76,060,699</u>
 Noncurrent liabilities:		
Long-term obligations, net of current maturities	999,631,652	1,015,275,170
Customer guarantee deposits	14,102,942	11,496,152
Customer advances for construction	989,558	1,124,034
Net pension liability	30,797,720	47,053,458
Net OPEB liability	<u>3,223,729</u>	<u>4,017,298</u>
Total noncurrent liabilities	<u>1,048,745,601</u>	<u>1,078,966,112</u>
 Total liabilities	<u>1,130,623,234</u>	<u>1,155,026,811</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow of resources related to pension	20,653,858	11,788,316
Deferred inflow of resources related to OPEB	<u>6,666,815</u>	<u>7,248,251</u>
Total deferred inflows of resources	<u>27,320,673</u>	<u>19,036,567</u>
 <b>NET POSITION</b>		
Invested in capital assets, net of related debt	38,531,239	75,095,745
Restricted for debt service	170,480,702	161,474,962
Unrestricted	<u>(36,546,392)</u>	<u>(93,041,345)</u>
Total net position	<u>172,465,549</u>	<u>143,529,362</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,330,409,456</u>	<u>\$ 1,317,592,740</u>

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**ENTERPRISE FUND**  
**For the years ended 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES</b>		
Sale of water:		
Residential	\$ 100,455,824	\$ 105,637,019
Commercial	57,169,021	58,246,762
Industrial	1,631,263	1,593,659
Other water utilities	2,891,498	3,328,292
Municipal	4,632,676	4,162,654
Public and private fire protection	5,852,320	5,934,715
Raw water	<u>5,238,138</u>	<u>4,806,210</u>
Total sale of water	177,870,740	183,709,311
Rent from utility properties	394,360	403,958
Sewer billing and collection fee	13,856,904	13,635,868
Other operating revenue	<u>3,036,960</u>	<u>2,633,131</u>
Total operating revenues	195,158,964	200,382,268
<b>OPERATING EXPENSES</b>		
Source of supply	1,433,717	1,625,504
Power and pumping	14,298,105	12,990,611
Purification	13,758,174	14,368,811
Transmission and distribution	24,431,011	24,219,863
Customer accounting and collection	13,948,057	13,994,503
Administrative and general	31,347,082	33,802,767
License fees paid to the City of Birmingham	2,041,729	2,175,244
License fees paid to other municipalities	<u>2,428,050</u>	<u>2,467,412</u>
Total operating expenses, excluding depreciation	103,685,925	105,644,715
Depreciation	<u>31,478,871</u>	<u>31,160,197</u>
	<u>135,164,796</u>	<u>136,804,912</u>
Operating income	59,994,168	63,577,356
Nonoperating revenues (expenses):		
Intergovernmental revenue	-	674,741
Other income, primarily interest	2,398,656	1,390,654
Interest expense	<u>(38,325,650)</u>	<u>(37,040,585)</u>
Total nonoperating expenses	<u>(35,926,994)</u>	<u>(34,975,190)</u>
Gain before contributions	24,067,174	28,602,166
Capital contributions	<u>4,869,013</u>	<u>5,358,947</u>
Change in net position	28,936,187	33,961,113
Net position at beginning of the year	<u>143,529,362</u>	<u>109,568,249</u>
Net position at end of the year	<u>\$ 172,465,549</u>	<u>\$ 143,529,362</u>

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**ENTERPRISE FUND**  
**For the years ended 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from potable water customers	\$ 183,002,455	\$ 170,598,007
Cash received from raw water customers	5,562,170	3,623,908
Cash received from rent of utility properties	394,360	403,958
Cash received from other operating revenues	5,127,466	52,817
Cash received for agency agreements	191,068,749	188,568,244
Cash payments for agency agreements	(177,415,713)	(173,309,005)
Payments to suppliers	(69,006,985)	(63,744,780)
Payments to employees	<u>(33,157,414)</u>	<u>(37,505,672)</u>
Net cash provided by operating activities	<u>105,575,088</u>	<u>88,687,477</u>
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Intergovernmental revenue	<u>674,741</u>	<u>-</u>
Net cash used by non-capital and related financing activities	<u>674,741</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(56,574,902)	(59,065,938)
Proceeds from asset disposition	185,055	81,796
Contributed capital for construction	4,869,000	5,358,947
Customer advances for construction	(134,475)	(49,210)
Proceeds from bond offering	480,995,000	-
Payment on long-term debt	(436,155,000)	(24,565,000)
Interest paid on debt	<u>(119,205,756)</u>	<u>(35,440,630)</u>
Net cash used by capital and related financing activities	<u>(126,021,078)</u>	<u>(113,680,035)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investment securities	(335,924,856)	(811,956,155)
Proceeds from sale and maturities of investment securities	367,843,805	835,974,184
Interest on investments	<u>1,173,994</u>	<u>2,836,904</u>
Net cash provided by investing activities	<u>33,092,943</u>	<u>26,854,933</u>
Net increase in cash and cash equivalents	13,321,694	1,862,375
Cash and cash equivalents at beginning of the year	<u>32,730,957</u>	<u>30,868,582</u>
Cash and cash equivalents at end of the year	<u>\$ 46,052,651</u>	<u>\$ 32,730,957</u>

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**COMPARATIVE STATEMENTS OF CASH FLOWS (CONT'D)**  
**ENTERPRISE FUND**  
**For the years ended 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 59,994,168	\$ 63,577,356
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	31,478,868	31,160,197
Provision for bad debts	1,046,626	2,971,795
Miscellaneous nonoperating expenses	1,212,059	155,008
Changes in operating assets and liabilities:		
Customer accounts receivable	9,457,402	(8,586,411)
Unbilled water revenue	(2,416,920)	(1,358,545)
Other receivables	942,245	(1,695,747)
Materials and supplies	(1,015,568)	13,415
Prepaid expenses	(384,351)	(513,367)
Net pension liability and related deferred inflows and outflows	(4,476,241)	341,252
Net OPEB asset and related deferred inflows and outflows	(389,913)	291,616
Accounts payable, including contract retentions	2,485,800	4,303,204
General taxes payable	(51,593)	86,270
Accrued expenses	5,085,716	455,667
Customer guarantee deposits	2,606,790	(2,514,233)
Net cash provided by operating activities	\$ 105,575,088	\$ 88,687,477



**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**PENSION TRUST FUND**  
**2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 6,523,027	\$ 3,998,785
Investments, at market	190,470,897	172,723,932
Accrued interest and dividends receivable	88,341	102,894
 Total assets	 \$ 197,082,265	 \$ 176,825,611
 <b>Liabilities and net position:</b>		
Total liabilities	\$ 59,883	\$ -
Net position held in trust for pension benefits	\$ 197,022,382	\$ 176,825,611

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**PENSION TRUST FUND**  
**For the years ended 2021 and 2020**

	<b>2021</b>	<b>2020</b>
Net position held in trust for pension benefits, beginning of the year	\$ 176,825,611	\$ 162,628,066
Additions:		
Employer contributions	5,921,693	5,693,936
Employee contributions	3,027,756	3,221,660
Investment income	2,501,989	7,756,655
Net realized (loss) gain on sale of assets	16,319,095	(736,412)
Changes in unrealized appreciation (depreciation)	6,413,880	11,088,630
Total additions (deductions), net	34,184,413	27,024,469
Deductions:		
Distributions to participants	13,270,142	11,981,998
Administrative expenses	717,500	844,926
Total deductions	13,987,642	12,826,924
Net increase (decrease)	20,196,771	14,197,545
Total net position held in trust for pension benefits, end of the year	\$ 197,022,382	\$ 176,825,611

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**OPEB TRUST FUND**  
**2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 2,675,013	\$ 650,199
Investments, at market	34,392,096	33,616,949
Accrued interest and dividends	<u>10,486</u>	<u>14,790</u>
 Total assets	 <u>\$ 37,077,595</u>	 <u>\$ 34,281,938</u>
 <b>Liabilities and net position:</b>		
Total liabilities	<u>\$ 33,604</u>	<u>\$ 26,788</u>
Net position held in trust for pension benefits	<u>\$ 37,043,991</u>	<u>\$ 34,255,150</u>

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**OPEB TRUST FUND**  
**For the years ended 2021 and 2020**

	<b>2021</b>	<b>2020</b>
Net position held in trust for OPEB benefits, beginning of the year	\$ 34,255,150	\$ 32,365,069
Additions:		
Employer contributions	891,926	1,248,331
Employee contributions	-	-
Investment income	475,656	1,191,900
Net realized gain (loss) on sale of assets	3,123,681	(83,772)
Changes in unrealized appreciation (depreciation)	734,116	1,983,316
Total additions, net	5,225,379	4,339,775
Deductions:		
Benefits	2,741,890	2,771,822
Premiums	(501,686)	(491,810)
Administrative expenses	196,334	169,682
Total deductions, net	2,436,538	2,449,694
Net increase (decrease)	2,788,841	1,890,081
Total net position held in trust for OPEB benefits, end of the year	\$ 37,043,991	\$ 34,255,150

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Water Works Board of the City of Birmingham ("the Board") is a public corporation incorporated on November 21, 1950, pursuant to a resolution adopted by the governing board of the City of Birmingham (the City). In accordance with ACT No. 2016-276, signed by the Governor of Alabama on May 5, 2016, the Water Works Board was changed from five members to a nine-member board, effective January 1, 2017. Two members are appointed by the Mayor of the City of Birmingham; four members are appointed by the Birmingham City Council; and three members are appointed outside the City of Birmingham consisting of one member from the Shelby County Commission; one member from the Blount County Commission and one member from the Jefferson County Mayors' Association. The Board operates and manages water filtration plants, a water distribution system, sewage treatment plants (until sold during 2008) and waste water collection systems (collectively referred to as the System) in Jefferson County, Alabama and portions of adjacent counties.

In evaluating the Board as a reporting entity, management has determined that the Board is financially accountable for the Retirement Plan for Employees of The Water Works Board of the City of Birmingham (the Pension Plan) and the Other Postemployment Benefits Plan of The Water Works Board of the City of Birmingham (the OPEB Plan) and, as such, has included the Plan as a Pension Trust Fund and the OPEB Plan as an OPEB Trust Fund within the Board's financial statements.

**Basis of Presentation and Basis of Accounting**

The accounting policies of the Board conform to generally accepted accounting principles (GAAP) as applicable to governmental units. This report, the accounting systems and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB) or, where applicable, the Financial Accounting Standards Board (FASB).

The Board has adopted GASB Statement No. 20, *Accounting and Financial Report for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*.

On July 1, 2009, the Financial Accounting Standards Board (FASB) released the Accounting Standards Codification (ASC). The ASC became the single source of authoritative nongovernmental generally accepted accounting principles (GAAP) and is effective for periods ending after September 15, 2009. All existing accounting standards documents were superseded, and any other literature not included in the ASC is considered nonauthoritative. The adoption of the ASC did not have any impact on the Board's financial condition, results of operations and cash flows, as the ASC did not change existing GAAP. The adoption of the ASC changes the approach of referencing authoritative literature by topic rather than by type of standard. Accordingly, references to former FASB positions, statements, interpretations, opinions, bulletins or other pronouncements in the Board's notes to basic financial statements are now presented as references to the corresponding topic in the ASC.

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Net Position**

Net position is classified and reported in three components: net investment in capital assets; restricted net position; and unrestricted net position. The classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted net position** - This component of net position includes assets subject to external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net positions that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Sometimes the Board will fund outlays for a particular purpose from both restricted (e.g., restricted bond) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the enterprise fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Board's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

**Fund Accounting**

The Board uses funds to report on its financial position and the results of its operations determined in conformity with accounting principles generally accepted in the United States. A fund is a separate accounting entity with a self-balancing set of accounts.

The funds presented in this report are as follows:

**Proprietary Fund Type**

Enterprise Fund - The fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. A fund of this type is entitled Enterprise Fund in accordance with terminology set forth in accounting principles generally accepted in the United States.

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Fiduciary Fund Type**

Pension Trust Fund - The fund is used to account for the Retirement Plan for Employees of the Board. A fund of this type is entitled Pension Trust Fund in accordance with terminology set forth in accounting principles generally accepted in the United States and is accounted for on the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Board contributions are recognized when due. Benefits are recognized when due and payable in accordance with the terms of the Pension Plan. Investments are reported at fair value.

OPEB Trust Fund - The fund is used to account for the Other Postemployment Benefits Plan of the Board. A fund of this type is entitled an OPEB Trust Fund in accordance with terminology set forth in accounting principles generally accepted in the United States and is accounted for on the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Board contributions are recognized when due. Benefits are recognized when due and payable in accordance with the terms of the OPEB Plan. Investments are reported at fair value.

**Utility Plant and Depreciation**

Utility plant is recorded at cost. Expenditures for maintenance, repairs and minor renewals are charged to operations as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are removed from the accounts, and the gain or loss on such disposition is reflected in income. Depreciation is recorded on individual assets using the straight-line method over the estimated useful lives of the assets.

The useful lives for the principal utility plant asset classifications are as follows:

Structures and improvements	30 to 100 years
Transmission mains	100 years
Distribution mains	67 years
Purification and pumping equipment	25 to 50 years
Transportation equipment	5 to 10 years
Other equipment	3 to 50 years

Land rights have indefinite lives and are not depreciated.

**Revenues and Expenses**

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing activities and result from nonexchange transactions or ancillary activities.

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the Board's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

**Trusted Funds**

Under the Series 2010-A, 2010-B, 2011 and 2012-A Water and Sewer Revenue Warrants indentures, the Series 2015-A, 2015-B, 2016-A, 2016-B, 2016-C, 2018, and 2019 and 2021 Water Revenue Bonds, and the Series 2013-A General Obligation Capital Improvement Warrants Indenture (see Note 5), as supplemented and amended, certain funds and bank accounts were required to be established and controlled by a trustee. The accounts of the trusted funds are maintained on the cash receipts and disbursements basis and are adjusted for financial statement purposes to reflect accrued receivables and payables and certain interfund transfers.

Among other uses, trusted funds are used to make debt service payments. Accordingly, trusted funds necessary to fund current debt service are classified as current assets on the accompanying statements of net position - enterprise fund. The trusted funds assets include investments that are uninsured and unregistered, with the securities held by the trustee, and not in the Board's name.

**Investments**

Investments, which consist of money market funds and U.S. government and agency securities, are stated at fair market value based on quoted market prices with all investment income, including changes in the fair value of investments, reported in the statements of revenues, expenses and changes in net position - enterprise fund. These securities are adjusted for impairments in value considered to be other than temporary.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows - enterprise fund, the Board considers all highly liquid, nontrusted securities purchased with an original maturity of three months or less to be cash equivalents.

**Customer Advances for Construction**

Fees charged to tap into the System are recorded as liabilities until construction is complete, at which time the amounts are recognized as capital contributions in the statements of revenues, expenses and changes in net position - enterprise fund.

**Materials and Supplies**

Materials and supplies inventory is valued at the lower of cost (first-in, first-out basis) or market.



**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Unbilled Water Revenue**

Revenue for water delivered but not billed is estimated and accrued monthly.

**License Fees**

The Board is not subject to federal, state or local taxes; however, annual payments are made to the City and other local municipalities for business license fees.

**Compensated Absences**

Compensated absences are recorded when vested or earned by employees in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses) until then. The Board has three items that qualify for reporting in this category. They are the deferred charge on the refunding on debt, the deferred charge relating to pension activities and the deferred charge relating to other postemployment benefits.

In addition to liabilities, the statements of position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has only two items that qualify for reporting in this category. They are deferred charges relating to pension activities and deferred charges relating to OPEB activities.

**Long-Term Debt**

Long-term debts are reported as liabilities on the statements of net position. Bond premiums and discounts, and losses on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the current period.

**Fair Value of Financial Instruments**

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value because of the immediate or short-term maturity of these financial instruments. The carrying amounts of long-term obligations approximate fair value because the stated interest rates on the indebtedness approximate current borrowing rates.

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management of the Board to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

**Budget**

The Board prepares an internal operations budget for management purposes which is not subject to City or State of Alabama (State) approval.

**Capital Contributions**

Capital contributions are recorded for the receipt of capital grants, contributions of funds, property, lines and improvements by developers, customers or other governments. Availability fees in excess of related costs are also recorded as capital contributions.

**Implementation of New Accounting Standards**

As required by governmental accounting standards, the Board adopted and implemented GASB Statement No. 89, *Accounting for interest costs incurred before the end of the construction period*. The primary objective of GASB Statement No. 89 is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of the construction period. The Statement is effective for the Board for the year ended December 31, 2021.

**Future Accounting Pronouncements**

GASB Statement No. 87, *Leases* and *Implementation Guide No. 2019-3, Leases*. The primary objective of GASB Statement No. 87 is to better meet the needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement and Implementation Guide was postponed by 18 months in light of the COVID-19 pandemic. It is effective for the Board for the year ended December 31, 2022. Management is currently evaluating the effect of the pronouncement on the financial statements.

GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases are effective for the Board for the year ended December 31, 2023. Management is currently evaluating the effect of the pronouncement on the financial statements.

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. It is effective for the Board for the year ended December 31, 2024. Management is currently evaluating the effect of the pronouncement on the financial statements.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

The Board of Directors approves all banks or other institutions as depositories for Board funds. The Board requires all funds on deposit to be collateralized by a pledge of unencumbered securities.

The carrying amount of cash bank balances at 2021 and 2020 totaled \$46,052,651 and \$32,730,957, respectively, and the bank balances were \$47,450,495 and \$34,776,783, respectively.

The Alabama State Legislature has enacted the Security of Alabama Funds Enhancement (SAFE) Program (Title 41, Chapter 14A, Code of Alabama 1975, as amended) that prescribes the way all Alabama public deposits are collateralized. Public deposits include the funds of any covered public entity or covered public official placed on deposit in a qualified depository, including time and demand deposit accounts and certificates of deposit but excluding bonds, notes, money market mutual funds, repurchase agreements and similar investment instruments.

Covered public entities include the state and its political subdivisions, including school boards. In the past, the bank pledged collateral directly to each public entity. Under SAFE, which is mandatory, each qualified public depository (QPD) is required to hold collateral for all of its public deposits on a pooled basis in a custody account (SAFE Custody Account) established by the State Treasurer as SAFE Administrator. In the unlikely event a public entity should suffer a deposit loss due to QPD insolvency or default; a claim form would be filed with the State Treasurer, pool collateral or other means to reimburse the loss. All deposits of the Board as of December 31, 2021 and 2020 are held in a qualified public depository.

**NOTE 3 - INVESTMENTS**

**Assumptions**

The Board's Bond Indenture limits trustee investments to "eligible investments." It is the Board's policy to invest public operating funds consistent with Section 11-81-21 of the Code of Alabama 1975 regarding the investment of public funds in obligations in which sinking funds may be invested. Eligible investments include i) U.S. treasury obligations, ii) certificates of deposit, iii) repurchase agreements, iv) bonds of the State of Alabama, v) obligations of U.S. federal agencies, vi) money market mutual funds, and vii) securities lending.

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 3 - INVESTMENTS (CONT'D)**

**Disclosures**

As of 2021, the Board had the following investments and maturities.

<b>Investment Type</b>	<b>Market Value</b>	<b>Investment Maturities (in Years)</b>			
		<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More Than 10</b>
<b>Trusted Fund Securities:</b>					
Truist Money Market	\$ 80,048,145	\$ 80,048,145	\$ -	\$ -	\$ -
Fixed Income Corporate Issues - Guaranteed					
Investment Contracts	<u>104,269,766</u>	<u>50,059,049</u>	<u>51,261,690</u>	<u>2,949,027</u>	<u>-</u>
	<u>\$ 184,317,911</u>	<u>\$ 130,107,194</u>	<u>\$ 51,261,690</u>	<u>\$ 2,949,027</u>	<u>\$ -</u>

As of December 31, 2020, the Board had the following investments and maturities.

<b>Investment Type</b>	<b>Market Value</b>	<b>Investment Maturities (in Years)</b>			
		<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More Than 10</b>
<b>Trusted Fund Securities:</b>					
US Agency Notes	\$ 72,857,948	\$ 72,857,948	\$ -	\$ -	\$ -
BB&T Money Market	59,810	59,810	-	-	-
Fixed Income Corporate Issues - Guaranteed					
Investment Contracts	<u>143,317,666</u>	<u>-</u>	<u>136,200,442</u>	<u>2,489,411</u>	<u>4,627,813</u>
	<u>\$ 216,235,424</u>	<u>\$ 72,917,758</u>	<u>\$ 136,200,442</u>	<u>\$ 2,489,411</u>	<u>\$ 4,627,813</u>

*Interest Rate Risk.* The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The guaranteed investment contracts contain a "full-flex" withdrawal provision allowing the Board to remove the funds at par for any purpose designated in the Trust Indenture. Should the credit rating of the contract provider be downgraded below Aa/AA level, the provider is required to collateralize at a level of 102 percent of the par value of the agreement. If the provider fails to collateralize in the event of a downgrade, the Board may remove funds in their entirety at par.

*Credit Risk.* The Board's Bond Indenture limits investments to Eligible Investments defined as: (i) Federal Obligations, (ii) Eligible Bank Obligations (fully collateralized by Federal Obligations), (iii) share or investment unit whose portfolio consists exclusively of "Eligible Investments" if purchased directly, (iv) to the extent permitted by applicable law either: (A) Repurchase agreement or collateralized investment agreement with long-term rating of at least A- by Standard & Poor's or A3 by Moody's Investor Services (Moody's), provided the obligations or securities subject to any such agreement shall be of the kind described in clauses (i), (ii) and (iii) of this definition and are fully collateralized or (B) any investment agreement issued or guaranteed by any financial institution with long-term rating of at least AA- by Standard & Poor's or AA3 by Moody's; and (v) any other investments at the time permitted by applicable law.

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 3 - INVESTMENTS (CONT'D)**

As of 2021, the Truist Bank was rated AAAM by Standard and Poor's and Aaa-mf by Moody's. The Guaranteed Investment Contracts investments are unrated.

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Balances are held in securities that are allowed by the Indenture, which require no collateralization. The accounts are in the name of the trustee for the benefit of the holders.

If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

**Fair Value Measurement**

GASB Statement No. 72, *Fair Value Measurement and Application*, enhances comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques. The standard establishes a hierarchy of inputs used to measure fair value that prioritizes the inputs into three categories—Level 1, Level 2, and Level 3 inputs—considering the relative reliability of the inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

**Level 1** inputs are quoted (unadjusted) prices in active markets for identical financial assets or liabilities that are accessible at the measurement date.

**Level 2** inputs are inputs other than quoted market prices included within level 1 that are observable for the financial assets or liability, either directly or indirectly; and

**Level 3** inputs are unobservable inputs for the financial asset or liability.

The level in the fair value measurement falls is based on the lowest level that is significant to the fair value measurement in its entirety.

The following tables present the Board's financial assets carried at fair value by level within the valuation hierarchy as of December 31, 2021 and 2020:

	<b>2021</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Trusteed Fund Securities:</b>				
Truist Money Market	\$ 80,048,145	\$ 80,048,145	\$ -	\$ -
Fixed Income Corporate Issues - Guaranteed Investment Contracts	<u>104,269,766</u>	<u>-</u>	<u>104,269,766</u>	<u>-</u>
	<u>\$ 184,317,911</u>	<u>\$ 80,048,145</u>	<u>\$ 104,269,766</u>	<u>\$ -</u>

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 3 - INVESTMENTS (CONT'D)**

	<b>2020</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Trusteed Fund Securities:</b>				
US Agency Notes	\$ 72,857,948	\$ 72,857,948	\$ -	\$ -
BB&T Money Market	59,810	59,810	-	-
Fixed Income Corporate Issues - Guaranteed Investment Contracts	<u>143,317,666</u>	<u>-</u>	<u>143,317,666</u>	<u>-</u>
	<u>\$ 216,235,424</u>	<u>\$ 72,917,758</u>	<u>\$ 143,317,666</u>	<u>\$ -</u>

**NOTE 4 - UTILITY PLANT**

Balances of major classes of utility plant assets and accumulated depreciation at 2021, and changes therein for the year then ended are as follows:

	<b>Balance at December 31, 2020</b>	<b>Additions</b>	<b>Transfers</b>	<b>Deletions</b>	<b>Balance at December 31, 2021</b>
<b>Nondepreciable:</b>					
Land and land rights	\$ 39,112,926	\$ 986,451	\$ -	\$ -	\$ 40,099,377
Construction-in-progress	115,235,584	43,928,227	(18,514,840)	-	140,648,971
<b>Depreciable:</b>					
Structures and improvements	219,213,336	347,872	2,914,860	-	222,476,068
Equipment	<u>1,031,092,181</u>	<u>11,312,351</u>	<u>15,599,980</u>	<u>(2,044,806)</u>	<u>1,055,959,706</u>
Total utility plant in service	1,404,654,027	56,574,901	-	(2,044,806)	1,459,184,122
Less accumulated depreciation	<u>(447,256,233)</u>	<u>(31,478,866)</u>	<u>-</u>	<u>1,941,068</u>	<u>(476,794,031)</u>
Net utility plant	<u>\$ 957,397,794</u>	<u>\$ 25,096,035</u>	<u>\$ -</u>	<u>\$ (103,738)</u>	<u>\$ 982,390,091</u>

Balances of major classes of utility plant assets and accumulated depreciation at December 31, 2020, and changes therein for the year then ended are as follows:

	<b>Balance at December 31, 2019</b>	<b>Additions</b>	<b>Transfers</b>	<b>Deletions</b>	<b>Balance at December 31, 2020</b>
<b>Nondepreciable:</b>					
Land and land rights	\$ 38,026,610	\$ 1,086,316	\$ -	\$ -	\$ 39,112,926
Construction-in-progress	83,104,840	44,614,753	(12,484,009)	-	115,235,584
<b>Depreciable:</b>					
Structures and improvements	213,223,215	597,250	5,418,359	(25,488)	219,213,336
Equipment	<u>1,019,996,460</u>	<u>12,767,619</u>	<u>7,065,650</u>	<u>(8,737,548)</u>	<u>1,031,092,181</u>
Total utility plant in service	1,354,351,125	59,065,938	-	(8,763,036)	1,404,654,027
Less accumulated depreciation	<u>(423,263,946)</u>	<u>(31,160,197)</u>	<u>-</u>	<u>7,167,910</u>	<u>(447,256,233)</u>
Net utility plant	<u>\$ 931,087,179</u>	<u>\$ 27,905,741</u>	<u>\$ -</u>	<u>\$ (1,595,126)</u>	<u>\$ 957,397,794</u>

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 5 - LONG-TERM OBLIGATIONS**

**Senior Securities Outstanding Under the Senior Indenture**

On July 14, 2021, the Board issued \$480,995,000 of Senior Water Revenue Bonds, Series 2021. The series 2021 Bonds were issued for the purpose of (a) advance refunding certain outstanding Senior Securities of the board, which may include, without limitations (i) all of Water Revenue Refunding Bonds, Series 2012-A (the "Series 2012-A Bonds"), which are outstanding in the aggregate principal amount of \$13,700,000, (ii) all of Water Revenue Refunding Bonds 2013-A (the "Series 2013-A Bonds"), which are outstanding in the aggregate principal amount of \$22,675,000, (iii) \$46,735,000 a portion of Senior Water Refunding Bonds, Series 2016-A (the "Series 2016-A Bonds"), which are outstanding in the aggregate principal amount of \$154,825,000, and (iv) \$37,645,000 a portion of Senior Water Revenue Refunding Bonds, Series 2018 (the "Series 2018 Bonds"), which are outstanding in the aggregate amount of \$83,475,000; (b) advance refunding certain outstanding Subordinate Securities of the Board which will include (i) all of the outstanding Subordinate Water Revenue Refunding Bonds, Series 2016-B (the "Series 2016-B Bonds"), which are outstanding in the aggregate amount of \$278,000,000 and (ii) all of the outstanding Subordinate Water Revenue Refunding Bonds, Series 2016-C (taxable) (the "Series 2016-C Bonds"), which are outstanding in the aggregate principal amount of \$9,665,000; and (c) paying the costs of issuing the Series 2021 Bonds.

On November 5, 2019, the Board issued \$336,380,000 of Senior Water Revenue Bonds, Series 2019. The Series 2019 Bonds were issued for the purpose of (a) advance refunding certain outstanding Senior Securities of the board, which included, without limitation (i) \$72,845,000 a portion of the Water Revenue Refunding Bonds, Series 2010-A (the "series 2010-A Bonds"), which were outstanding in the aggregate principal amount of \$86,975,000, (ii) \$27,695,000 a portion of Water Revenue Bonds, Series 2012-A (the series 2012-A Bonds'), which were outstanding in the aggregate principle amount of \$46,075,000 (iii) all of Water Revenue Bonds, Series 2013-B (the series 2013-B Bonds'), which were outstanding in the aggregate principle amount of \$70,785,000. (iv) \$73,100,000 a portion of Water Revenue Bonds, Series 2015-A (the series 2015-A Bonds'), which were outstanding in the aggregate principle amount of \$98,315,000, and (v) \$56,955,000 a portion of Water Revenue Bonds, Series 2015-B (the series 2015-B Bonds'), which were outstanding in the aggregate principle amount of \$73,830,000; and (b) paying the cost of issuing the 2019 series. The bonds were issued at par and the board incurred issuance cost and underwriter discounts of \$ 2,834,109.

On November 7, 2018, the Board issued \$86,815,000 of Senior Water Revenue Bonds, Series 2018. The Series 2018 Bonds were issued for the purpose of (i) financing certain capital improvements to the System (the "2018 Improvements") and (ii) paying the cost of issuing the Series 2018 Bonds. A portion of the proceeds from the sale of the Series 2018 Bonds to be used to pay the costs of the 2018 Improvements shall be held in a Construction Fund established under the Senior Indenture by the Trustee for the benefit of the Board pending disbursement. The bonds were issued at a premium of \$11,278,177. After issuance costs and underwriter discounts of \$1,083,077, \$97,010,101 was deposited into the 2018 Construction Fund.

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 5 - LONG-TERM OBLIGATIONS (CONT'D)**

On October 4, 2016, the Board issued \$157,190,000 of Senior Water Revenue Refunding Bonds, Series 2016-A. The 2016-A Bonds were issued for the purposes of advance refunding of a portion of the Board's Series 2009-A Water Revenue Bonds, advance refunding of a portion of the Board's Series 2011, Water Revenue Bonds and paying the costs of issuing Series 2016-A Bonds. The Series 2016-A Bonds are payable solely out of and secured by a pledge and assignment of the revenues attributable to the system. The bonds were issued at a premium of \$29,046,288. After issuance costs and underwriter discounts of \$1,042,503, \$8,112,252 was transferred to the Debt Service Fund and the remaining \$193,306,038 was deposited into the 2016-A Bonds Escrow Fund.

On March 30, 2015, the Board issued \$100,205,000 of Water Revenue Refunding Bonds, Series 2015-A. The 2015-A Bonds were issued for the purpose of, 1) advance refunding all of the Board's Water and Sewer Revenue Bonds, Series 2006-A, 2) advance refunding all of the Board's Water Revenue Bonds, Series 2008-A, 3) advance refunding a portion of the Board's Water Revenue Bonds, Series 2009-A, and 4) paying the costs of issuing the Series 2015-A Bonds. The Series 2015-A Bonds are payable solely out of and secured by a pledge and assignment of the revenues attributable to the system. The bonds were issued at a premium of \$14,044,150. After issuance costs and underwriter discounts of \$900,824, \$1,402,725 was transferred to the Debt Service Fund and the remaining \$114,751,051 was deposited into the 2015-A Bonds Escrow Fund.

On March 30, 2015, the Board issued \$75,760,000 of Water Revenue Bonds, Series 2015-B. The 2015-B Bonds were issued for the purpose of 1) paying the costs of certain capital improvements to the water system including improvements for regulatory compliance, 2) funding the required deposit in the Debt Service Reserve Fund, and 3) paying the costs of issuing the Series 2015-B Bonds. The Series 2015-B Bonds are payable solely out of and secured by a pledge and assignment of the revenues attributable to the system. The bonds were issued at a premium of \$8,258,957. After issuance costs and underwriter discounts of \$677,558, \$3,341,398 was transferred to the Debt Service Reserve Fund and the remaining \$80,000,000 was deposited and available for capital improvements.

On April 17, 2013, the Board issued \$23,335,000 of Water Revenue Refunding, Series 2013-A Bonds. The 2013-A Bonds were issued for the purpose of, 1) advance refunding a portion of Board's Series 2006-A Bonds, consisting of \$5,000,000 principal amount maturing January 1, 2040, and subject to mandatory redemption beginning in 2036, and \$14,760,000 principal amount maturing January 1, 2043, subject to mandatory redemption in 2041 and 2042, and 2) paying a portion of the cost of issuing the 2013-A Bonds. The Series 2013-A Bonds are payable solely out of and secured by a pledge and assignment of the revenues attributable to the system. The bonds were issued at a discount of \$781,818. After transfer of certain funds in the Debt Service Fund of \$247,000 and payment of issuance costs and underwriter discounts of \$238,597, \$22,561,585 was deposited into a 2013-A escrow fund.



**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 5 - LONG-TERM OBLIGATIONS (CONT'D)**

On March 15, 2012, the Board issued \$51,710,000 of Water Revenue Bonds. The 2012-A Bonds were issued for the purpose of advance refunding the Series 2004-A Bonds. The Series 2012-A Bonds are payable solely out of and secured by a pledge and assignment of the revenues attributable to the system. The bonds were issued at a premium of \$1,283,128. After issuance costs, underwriter discounts, and bond issuance premiums of \$1,804,427, \$52,807,932 was deposited into a 2004-A escrow fund.

On June 7, 2011, the Board issued \$133,565,000 of Water Revenue Bonds. The 2011 Bonds were issued for the purposes of financing the costs of certain capital improvements to the System and funding the Reserve Fund under the Trust Indenture, as amended, and paying the costs of issuance of the bonds. The Series 2011 Bonds are payable solely out of and secured by a pledge and assignment of, the revenues of the Board attributable to the System. The bonds were issued at a premium of \$1,127,806. After issuance costs, underwriter, discounts and bond issuance premiums of \$1,171,856, \$8,520,950 was deposited into the Debt Reserve Fund, the remaining \$125,000,000 was deposited into the Construction Fund.

On November 4, 2010, the Board issued \$86,975,000 of Water Revenue Refunding Bonds. The 2010-A Bonds were issued for the purpose of refunding the Board's outstanding Series 1998-A Warrants that mature in 2021 and 2029. The Series 2010-A Bonds are payable solely out of, and secured by a pledge and assignment of, the revenues of the Board attributable to the System. The bonds were issued at a premium of \$5,677,960. After issuance costs, underwriter discounts and bond insurance premiums of \$722,868, \$93,529,555 was deposited into an escrow fund for the 1998-A Bonds maturing in years 2021 through 2029.

**Subordinate Securities Outstanding Under the Subordinate Indenture**

On October 4, 2016, the Board issued \$278,200,000 of Subordinate Water Revenue Refunding Bonds, Series 2016-B. The 2016-B Bonds were issued for the purposes of current refunding of a portion of the Board's Series 2007-A Water Revenue Bonds, advance refunding of a portion of the Board's Series 2009, Subordinate Water Revenue Bonds, financing certain capital improvements to the Board's water distribution system, and paying the costs of issuing Series 2016-B Bonds. The Series 2016-B Bonds are payable solely out of and secured by a pledge and assignment of the revenues attributable to the system. The bonds were issued at a premium of \$55,766,348. After issuance costs and underwriter discounts of \$1,796,044, \$30,072,631 was transferred to the Debt Service Fund and the remaining \$337,517,541 was deposited into the 2016-B Bonds Escrow Fund and the remaining \$24,725,394 was deposited and available for capital improvements.

On October 4, 2016, the Board issued \$34,110,000 of Subordinate Water Revenue Refunding Bonds, Series 2016-C. The 2016-C Bonds were issued for the purposes of advance refunding of a portion of the Board's Series 2009, Subordinate Water Revenue Bonds, financing certain capital improvements to the system, and paying the costs of issuing Series 2016-C Bonds. The Series

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 5 - LONG-TERM OBLIGATIONS (CONT'D)**

2016-C Bonds are payable solely out of and secured by a pledge and assignment of the revenues attributable to the system. After issuance costs and underwriter discounts of \$442,267, \$3,356,355 was transferred to the Debt Service Fund and the remaining \$34,642,895 was deposited into the 2016-C Bonds Escrow Fund and \$2,381,192 was deposited and available for capital improvements.

On September 15, 2014, the Board issued Subordinate Water Revenue Bonds, Series 2014-DWSRF-DL. The bonds were issued in the aggregate principal amount of \$615,000 for the purpose of funding certain capital improvements to the System. The 2014 SRF Bonds are presently outstanding in the aggregate principal amount of \$615,000 and mature or are subject to mandatory redemption in the years 2016 through 2035.

On February 1, 2013, the Board issued Subordinate Water Revenue Bonds, Series 2013-DWSRF-DL. The bonds were issued in the aggregate principal amount of \$5,780,000 for the purpose of funding certain capital improvements to the System. The 2013 SRF Bonds are presently outstanding in the aggregate principal amount of \$5,560,000 and mature or are subject to mandatory redemption in the years 2014 through 2033.

On February 15, 2012, the Board issued Subordinate Water Revenue Bonds, Series 2012-DWSRF-DL. The bonds were issued in the aggregate principal amount of \$1,365,000 for the purpose of funding certain capital improvements to the System. The 2012 SRF Bonds are presently outstanding in the aggregate principal amount of \$1,205,000 and mature or are subject to mandatory redemption in the years 2014 through 2032.

On February 25, 2011, the Board issued Subordinate Water Revenue Bonds, Series 2011-DWSRF-DL. The bonds were issued in the aggregate principal amount of \$2,045,000 for the purpose of funding certain capital improvements to the System. The 2011 SRF Bonds are presently outstanding in the aggregate principal amount of \$1,730,000 and mature or are subject to mandatory redemption in the years 2013 through 2031.

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**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONT'D)**

Long-term debt outstanding at December 31, is summarized as follows:

	<u>2021</u>	<u>2020</u>
<b>Senior Bonds</b>		
Series 2010-A Water Revenue Refunding Bonds, issued November 4, 2010, 4.00% to 5.00% interest only due annually through 2019, principal and interest due annually 2020 through 2029	\$ -	\$ 7,240,000
Series 2011 Water Revenue Refunding Bonds, issued June 7, 2011, 3.00% to 5.00%, due annually through 2041	-	3,165,000
Series 2012-A Water Revenue Refunding Bonds, issued March 15, 2012, 2.00% to 5.00%, due annually through 2034	-	16,100,000
Series 2013-A Water Revenue Refunding Bonds, issued April 17, 2014, 2.00% to 4.00%, due annually through 2043	-	22,780,000
Series 2015-A Water Revenue Refunding Bonds, issued April 14, 2015, 3.00% to 5.00%, due 2016 through 2042	21,390,000	24,710,000
Series 2015-B Water Revenue Bonds, issued April 14, 2015, 3.00% to 5.00%, due 2016 through 2045	15,310,000	16,140,000
Series 2016-A Water Revenue Bonds, issued October 4, 2016, 4.00% to 5.00%, due 2020 through 2041	108,090,000	154,825,000
Series 2018 Water Revenue Bonds, issued November 7, 2018, 5% due 2020 through 2039	45,830,000	84,995,000
Series 2019 Water Revenue Bonds, issued November 5, 2019, 1.925% to 3.573 % due 2020 through 2045	332,515,000	335,440,000
Series 2021 Water Revenue Bonds, issued July 14, 2021, 0.207% to 2.860% due 2020 through 2043	480,995,000	-
<b>Subordinate Bonds and Loans</b>		
Series 2011 Subordinate Water Revenue Bonds, issued February 25, 2011, 3.00% to 5.00%, due 2014 through 2031	1,175,000	1,275,000
Series 2012 Subordinate Water Revenue Bonds, issued February 15, 2012, 2.00% to 5.00%, due 2014 through 2032	845,000	910,000
Series 2013 Subordinate Water Revenue Bonds, issued February 1, 2013, 2.00% to 5.00%, due 2014 through 2033	3,840,000	4,105,000
Series 2014 Subordinate Water Revenue Bonds, issued September 25, 2014, 2.45%, due 2016 through 2035	465,000	490,000
Series 2016-B Water Revenue Bonds, issued October 4, 2016, 4.00% to 5.00%, due 2023 through 2043	-	278,200,000
Series 2016-C Water Revenue Bonds, issued October 4, 2016, 1.03% to 2.39%, due 2017 through 2023	-	<u>15,240,000</u>
Total long-term debt	1,010,455,000	965,615,000
Unamortized premium	<u>20,591,652</u>	<u>77,195,170</u>
Long-term obligations	<u>1,031,046,652</u>	<u>1,042,810,170</u>
Less current portion	<u>(31,415,000)</u>	<u>(27,535,000)</u>
Long-term obligations - net	<u>\$ 999,631,652</u>	<u>\$ 1,015,275,170</u>

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONT'D)**

Activity during 2021 related to long-term debt principal obligations is as follows:

	Balance at 12/31/20	Additions	Payments	Balance at 12/31/21	Due Within One Year
Water Works Board Series 2010-A	\$ 7,240,000	\$ -	\$ (7,240,000)	\$ -	\$ -
Water Works Board Series 2011	3,165,000	-	(3,165,000)	-	-
Water Works Board Subordinate Series 2011	1,275,000	-	(100,000)	1,175,000	100,000
Water Works Board Series 2012-A	16,100,000	-	(16,100,000)	-	-
Water Works Board Subordinate Series 2012	910,000	-	(65,000)	845,000	65,000
Water Works Board Series 2013-A	22,780,000	-	(22,780,000)	-	-
Water Works Board Subordinate Series 2013	4,105,000	-	(265,000)	3,840,000	275,000
Water Works Board Subordinate Series 2014	490,000	-	(25,000)	465,000	30,000
Water Works Board Series 2015-A	24,710,000	-	(3,320,000)	21,390,000	3,470,000
Water Works Board Series 2015-B	16,140,000	-	(830,000)	15,310,000	860,000
Water Works Board Series 2016-A	154,825,000	-	(46,735,000)	108,090,000	3,025,000
Water Works Board Series 2016-B	278,200,000	-	(278,200,000)	-	-
Water Works Board Series 2016-C	15,240,000	-	(15,240,000)	-	-
Water Works Board Series 2018	84,995,000	-	(39,165,000)	45,830,000	1,900,000
Water Works Board Series 2019	335,440,000	-	(2,925,000)	332,515,000	10,480,000
Water Works Board Series 2021	-	480,995,000	-	480,995,000	11,210,000
	<u>\$ 965,615,000</u>	<u>\$ 480,995,000</u>	<u>\$ (436,155,000)</u>	<u>\$ 1,010,455,000</u>	<u>\$ 31,415,000</u>

Activity during 2020 related to long-term debt principal obligations is as follows:

	Balance at 12/31/19	Additions	Payments	Balance at 12/31/20	Due Within One Year
Water Works Board Series 2010-A	\$ 14,130,000	\$ -	\$ (6,890,000)	\$ 7,240,000	\$ 7,240,000
Water Works Board Series 2011	6,180,000	-	(3,015,000)	3,165,000	3,165,000
Water Works Board Subordinate Series 2011	1,370,000	-	(95,000)	1,275,000	100,000
Water Works Board Series 2012-A	18,380,000	-	(2,280,000)	16,100,000	2,400,000
Water Works Board Subordinate Series 2012	975,000	-	(65,000)	910,000	65,000
Water Works Board Series 2013-A	22,880,000	-	(100,000)	22,780,000	105,000
Water Works Board Subordinate Series 2013	4,365,000	-	(260,000)	4,105,000	265,000
Water Works Board Subordinate Series 2014	515,000	-	(25,000)	490,000	25,000
Water Works Board Series 2015-A	25,215,000	-	(505,000)	24,710,000	3,320,000
Water Works Board Series 2015-B	16,875,000	-	(735,000)	16,140,000	830,000
Water Works Board Series 2016-A	157,190,000	-	(2,365,000)	154,825,000	-
Water Works Board Series 2016-B	278,200,000	-	-	278,200,000	-
Water Works Board Series 2016-C	20,710,000	-	(5,470,000)	15,240,000	5,575,000
Water Works Board Series 2018	86,815,000	-	(1,820,000)	84,995,000	1,520,000
Water Works Board Series 2019	336,380,000	-	(940,000)	335,440,000	2,925,000
	<u>\$ 990,180,000</u>	<u>\$ -</u>	<u>\$ (24,565,000)</u>	<u>\$ 965,615,000</u>	<u>\$ 27,535,000</u>

The aggregate maturities of long-term debt at 2021, are as follows:

<b>Years ending December 31,</b>	<b>Principal</b>	<b>Interest</b>
2022	\$ 31,415,000	\$ 28,292,380
2023	35,555,000	28,322,401
2024	36,370,000	27,508,441
2025	37,265,000	26,611,874
2026	38,330,000	25,544,578
2027-2031	215,705,000	108,057,167
2032-2036	249,045,000	76,943,200
2037-2041	262,575,000	37,471,243
2042-2045	<u>104,195,000</u>	<u>4,263,076</u>
	<u>\$ 1,010,455,000</u>	<u>\$ 363,014,360</u>

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONT'D)**

**Bond Discount**

The following is a schedule of original issue discount, reoffering premium and amortization per issue at 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Water Works Board Series 2012-A premium	\$ -	\$ 176,343
Water Works Board Series 2013-A discount	-	(573,227)
Water Works Board Series 2015-A premium	1,454,270	2,072,724
Water Works Board Series 2015-B premium	1,224,100	1,374,579
Water Works Board Series 2016-A premium	13,536,213	21,335,823
Water Works Board Series 2016-B premium	-	43,566,858
Water Works Board Series 2018 premium	<u>4,377,069</u>	<u>9,242,070</u>
Original issue discounts and premiums	<u>\$ 20,591,652</u>	<u>\$ 77,195,170</u>

Bond discounts and premiums totaling \$20,591,652 are being amortized over the terms of the respective bonds using the effective interest method. Unamortized discounts and premiums are netted against long-term debt in the accompanying statements of net position - enterprise fund.

The Series 2010-A Water Revenue Bonds are subject to optional redemption on or after January 1, 2021 at a redemption price equal to 100%.

The Series 2011 Water Revenue Bonds are subject to optional redemption at any time on or after January 1, 2021, at a redemption price equal to 100%.

The Series 2012-A Water Revenue Bonds are subject to optional redemption on or after January 1, 2022 at a redemption price equal to 100%.

The Series 2013-A Water Revenue Bonds maturing in 2024 are subject to optional redemption on or after January 1, 2023 at a redemption price equal to 100%.

The Series 2015-A Water Revenue Refunding Bonds are priced to the optional redemption date of January 1, 2025 at 100%.

The Series 2015-B Water Revenue Bonds are priced to the optional redemption date of January 1, 2025 at 100%.

The Series 2016-A Water Revenue Bonds are priced to the optional redemption date of January 1, 2027 at 100%.

The Series 2016-B Water Revenue Bonds are priced to the optional redemption date of January 1, 2027 at 100%.

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 5 - LONG-TERM OBLIGATIONS (CONT'D)**

The Series 2016-C Water Revenue Bonds are priced to the optional redemption date of January 1, 2023 at 100%.

The Series 2018 Water Revenue Bonds are priced to the optional redemption date of January 1, 2028 at 100%.

The Series 2019 Water Revenue Bonds scheduled to mature in 2030 and thereafter are subject to optional redemption at any time from time to time on or after January 1, 2029 at 100%.

The Series 2021 Water Revenue Bonds scheduled to mature in 2043 and thereafter are subject to optional redemption at any time from time to time on or after July 1, 2031 at 100%.

**Senior and Subordinate Securities Covenants**

The Senior Securities are limited obligations of the Board, payable solely out of, and secured by a pledge and assignment of, the Board's Pledged Revenues, consisting of the Board's System Revenues remaining after payment of Operating Expenses attributable to the Board's water works and distribution system (the 'System').

The Senior Securities, as supplemented and amended, contains the several covenants of the Board that, if not met, can result in the timing of outstanding amounts become immediately due, the significant events of default consist of failure to timely remit principal and interest due or failure to maintain pledged revenue levels for debt service in excess of 125 percent of the amount payable during any Fiscal Period.

The Subordinate Securities are limited obligations of the Board, payable solely out of, and secured by a pledge and assignment of, the Board's Pledged Revenues, consisting of the Board's System Revenues remaining after payment of Operating Expenses attributable to the Board's water works and distribution system, but subject and subordinate to the application of the Pledged Revenues to the timely prior payment of the principal of and the interest on the Senior Securities as discussed above.

The Subordinate Securities, as supplemented and amended, contains the several covenants of the Board that, if not met, can result in the timing of outstanding amounts become immediately due, the significant events of default consist of failure to timely remit principal and interest due or failure to maintain pledged revenue levels for debt service in excess of 100 percent of the amount payable during any Fiscal Period.

**Bond Refundings**

The Board issued the Series 2021 Senior Water Revenue Refunding Bonds for the purpose of advance refunding a portion or all of the previously issued and outstanding Senior Securities Series, 2012-A, 2013-A and 2016-A and 2018 and a portion or all Subordinate Securities Series, 2016-B and 2016-C. Neither the assets of the trust accounts nor this defeased indebtedness are included in the accompanying statements of net position - enterprise fund.

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 5 - LONG-TERM OBLIGATIONS (CONT'D)**

The refunding in July 2021 resulted in an accounting loss of \$42,207,586 which has been capitalized in accordance with GASB Statement No. 65, and is being reported as a deferred outflow of resources and amortized using the effective interest method through 2043. The Board decreased its aggregate debt service by approximately \$35,471,497 and incurred an economic gain (the difference between the present values of the old debt service requirements and the new debt service requirements) of approximately \$23,324,173.

When the board defeased the previously described indebtedness, it deposited funds in certain escrow accounts sufficient to provide for the subsequent payment of principle and interest on the defeased indebtedness. Under the trust agreements, all funds deposited in the trust accounts are invested in obligations of the U.S. government. Neither the assets of the trust nor this defeased indebtedness are included in the accompanying statements of net position enterprise fund. The principle outstanding on this defeased indebtedness at December 31, 2021, was approximately \$408,620,000.

**NOTE 6 - TRUSTEED FUNDS - INVESTMENTS**

Trusteed Funds are restricted assets. Restricted assets are established to the extent required by bond resolutions for the Board's long-term debt (see Note 5) and Board action. Bond proceeds, water revenue and interest income are utilized to maintain the various funds at their required levels. Amounts not needed to fund requirements may be used for any lawful purpose. Components and descriptions of the various funds, exclusive of cash and accrued interest, are as follows at 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Construction funds	\$ -	\$ 35,415,738
Debt service funds	45,272,513	46,506,601
Development, renewal and replacement funds	1,264,906	1,259,801
Revenue funds	134,831,464	125,937,483
Debt service reserve funds	2,949,028	7,117,225
Total	\$ 184,317,911	\$ 216,236,848

*Construction Funds* - Construction funds account for unexpended debt proceeds and interest income thereon from the Revenue Bonds, Series 2018.

*Debt Service Funds* - Debt service funds represent the principal and interest amounts for the next debt service payment due on all outstanding long-term debt.

*Development, Renewal and Replacement Funds* - Development, renewal and replacement funds are required for renewal and replacement of the water production, transmission and treatment facilities.

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 6 - TRUSTEED FUNDS - INVESTMENTS (CONT'D)**

*Revenue Funds* - All system revenues are deposited in this fund. Monies in the Revenue Fund are applied for payment of all operating expenses. After operating expenses have been paid, remaining monies are to be used for payments into the Debt Service Fund, the Reserve Fund and the Improvement Fund, in the order named, and of such amounts required by the Trust Indenture.

*Debt Service Reserve Funds* - The debt service reserve funds are required to maintain debt service reserves for the 2010-A, 2011, 2012-A, 2013-A, 2015-A and 2015-B. The reserve fund requirement may be satisfied, in whole or in part, with an insurance policy, surety bond or letter of credit.

*Special Acquisition Funds* - The special acquisition funds holds released excess bond interest escrow funds. The Special Acquisition Funds money will be used to pay for capital expenditures.

Bond resolutions place certain limitations on investments permitted by the various funds.

**NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses are summarized as follows at 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Accounts payable	\$ 13,347,520	\$ 10,758,447
Agency payables	9,726,649	9,947,894
Contract retentions	1,601,843	1,465,019
Payroll deductions payable	3,294,474	3,364,219
Accrued professional fees	99,000	52,295
Workers' compensation reserve	1,647,082	1,661,330
Other payables/accruals	5,723,806	619,655
	<b>\$ 35,440,374</b>	<b>\$ 27,868,859</b>

**NOTE 8 - CHANGES IN AMOUNTS INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT**

The changes in amounts invested in capital assets, net of related debt are summarized as follows for the years ended 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Balance at beginning of the year	\$ 75,095,746	\$ 56,088,199
Change in capital assets	24,992,297	26,310,615
Change in related debt	(61,556,807)	(7,303,068)
Balance at end of the year	<b>\$ 38,531,236</b>	<b>\$ 75,095,746</b>



**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 9 - EMPLOYEE BENEFIT PLANS**

**General Information**

The Board administers one contributory single-employer defined benefit retirement plan, the Retirement Plan for Employees of the Water Works Board of the City of Birmingham (the Plan), which covers all employees of the Board and the employees who were previously employed by the Industrial Water Works Board (IWWB). The following discussion summarizes key provisions of the Plan. The Plan document should be referred to for a more detailed description of terms and assumptions. The Plan issues annual audited financial statements which may be obtained by writing to the Board at 3600 First Avenue North, P.O. Box 830110, Birmingham, Alabama 35283.

The funding methods and determination of benefits payable were established by the legislative acts creating such plans and provide that the pension plan funds are to be funded from employee contributions, employer contributions, and income from the investment of accumulated funds. The cost of administering the plans is funded by the Board. The Board acts as the trustee for these plans. Separate financial statements are presented in this report for the pension funds.

**Significant Accounting Policies**

*Basis of Accounting* – The Plan's 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 to each plan are recognized when due and payable in accordance with the terms of each plan.

*Estimates* – The preparation of financial statements prepared in conformity with generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

*Deposits & Investments* – Cash and cash equivalents include cash on hand, demand deposits, savings accounts, and short-term investments with maturities of three months or less at the time of purchase. The Plan's investments are stated at fair value. Quoted market prices are used to value investments. Investment transactions are recorded on the trade date. Realized gains and losses from sales of securities are determined using the average cost basis. In accordance with the provisions of the Plan to state investments at market value, net unrealized appreciation or depreciation for the year is reflected in the statement of changes in pension net position.

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 9 - EMPLOYEE BENEFIT PLANS (CONT'D)**

**Plan Description**

The Retirement Plan for Employees of the Water Works Board of the City of Birmingham (the Plan) is a single employer defined benefit pension plan formed by the Water Works Board of the City of Birmingham (the Board) to provide retirement benefits to eligible employees. The plan was established in 1951 and was funded under a group annuity contract issued by Metropolitan Life Insurance Company. In 1962, the Plan was amended and restated and all future benefits were funded through a trust fund. The Plan was amended and restated as of January 1, 1976, January 1, 1981, January 1, 1984, and January 1, 1989. Effective January 1, 2009, the Plan was further amended and restated to comply with any and all Federal laws and regulations applicable to the Plan.

Accumulated plan benefits are those future periodic payments, including lump-sum distributions that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits under the Plan are based on employees' compensation during their last ten years of credited service. The accumulated plan benefits for active employees are based on their average compensation during the five years ending on the date as of which the benefit information is presented (the valuation date). Benefits payable under all circumstances – retirement, death, disability, and termination of employment – are included, to the extent they are deemed attributable to employee service rendered to the valuation date. Benefits to be provided via annuity contracts excluded from Plan assets are excluded from accumulated plan benefits.

**Benefits Provided**

A participant retiring at his normal retirement date is entitled to a benefit, payable in monthly installments equal to one-twelfth of the participant's accrued retirement income, which is calculated as the result of (a) minus (b) minus (c) where:

- (a) equals 2% of the final average earnings (as defined by the Plan) determined as of the date of calculation multiplied by the number of years and monthly fractions of continuous service to the date of calculation, and
- (b) equals the individual paid-up benefits, payable under the group annuity contract with Metropolitan Life Insurance Company prior to January 1, 1992, for active participants in the Plan as in effect on January 1, 1962, and
- (c) equals the accrued retirement income attributed to any prior period of service credited for an employee who has been re-employed by the Board after a break in service.

The Plan also provides adjusted benefits, in the case of early retirement, deferred retirement, death or disability of participant. Benefit provisions are established and may be amended by the Board.

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**2021**

**NOTE 9 - EMPLOYEE BENEFIT PLANS (CONT'D)**

**Contributions**

The contribution requirements of the plan members are established and may be amended by the Board. Plan members were required to contribute seven percent (7%) of their annual covered salary in 2021 and 2020. The Board is required to contribute at an actuarially determined rate. The Board made the decision to adopt a new funding policy for the fiscal year January 1, 2014 to December 31, 2014. The new funding policy is to contribute the employer's normal cost plus the unfunded actuarial accrued liability that is based on an effective amortization period, of approximately 16 years, determined based on a contribution schedule increasing 4% per year beginning with a contribution of \$4,500,000 for 2014. The Board funding policy for 2014 was to contribute the employer normal cost plus the unfunded actuarial accrued liability that is based on a 12-year level dollar amortization period. All contributions made during 2021 and 2020 were cash contributions. Administrative costs of the Plan are financed through investment earnings.

**Membership Data**

At December 31, 2021, the most recent measurement date of the net pension liability, membership data for the pension plan is as follows:

Retired participants and beneficiaries	361
Vested terminated participants	6
Active participants	<u>603</u>
	<u>970</u>

**Plan Fiduciary Net Position**

The Plan issues a stand-alone financial report, where detailed information about its fiduciary net position is available. See page 39 for the address where the report can be obtained.

**Net Pension Liability**

The net pension liability (NPL) is the difference between the "Total Pension Liability" (TPL) and the plan's "fiduciary net position" (FNP). The total pension liability (TPL) is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service, and automatic cost of living adjustments (COLA's). In addition, ad hoc COLAs are also included in the TPL to the extent they are substantively automatic. The FNP is determined on the same basis used by the pension plan. The Board's net pension liability was measured as of December 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 9 - EMPLOYEE BENEFIT PLANS (CONT'D)**

<u>Net Pension Liability</u>	
Measurement Date	<u>12/31/21</u>
Total Pension Liability	\$ 227,820,102
Fiduciary Net Position	<u>197,022,382</u>
Net Pension Liability	<u>\$ 30,797,720</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	86.48%

**Schedule of Changes in Net Pension Liability**

The Changes in Net Pension Liability Plan for the fiscal year ended December 31, 2021, are as follows:

<u>Change in Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Service Cost	\$ 4,268,734	-	\$ 4,268,734
Interest on Total Pension Liability	15,513,746	-	15,513,746
Change in Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(2,571,305)	-	(2,571,305)
Employer Contribution	-	5,921,693	(5,921,693)
Employee Contributions	-	3,027,756	(3,027,756)
Pension Plan Net Investment Income	-	24,616,967	(24,616,967)
Assumption Changes	-	-	-
Benefit Payments, including Refunds	(13,270,142)	(13,270,142)	-
Administrative Expense	-	(99,503)	99,503
Net Change	<u>3,941,033</u>	<u>20,196,771</u>	<u>(16,255,738)</u>
Net Pension Liability Beginning	<u>223,879,069</u>	<u>176,825,611</u>	<u>47,053,458</u>
Net Pension Liability Ending	<u>\$ 227,820,102</u>	<u>197,022,382</u>	<u>\$ 30,797,720</u>

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates (as a percentage of pay) and that employer contributions will be made in accordance with the current funding policy of paying contributions starting with \$4,500,000 for Fiscal 2014, increasing by 4% per year for future years, until the Plan is fully funded, after which point contributions will be reduced to the actuarially determined normal cost including expected administrative expenses. Based on those assumptions, the Plan's fiduciary net position was 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. For the prior year, the discount rate was 7.00%.

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 9 - EMPLOYEE BENEFIT PLANS (CONT'D)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the Board, calculated using the discount rate of 7.00%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00%) or one-percentage-point higher (8.00%) than the current rate:

<u>Sensitivity</u>	<u>Discount Rate</u>		
	<u>1% Decrease 6.00%</u>	<u>Current Rate 7.00%</u>	<u>1% Increase 8.00%</u>
<b>Plan's net pension liability</b>	\$59,738,691	\$30,797,720	\$11,351,314

**Pension Expense and Schedule of Deferred Outflows and Inflow of Resources**

For the fiscal year ended December 31, 2021, the Board recognized pension expense of \$1,445,453. Deferred outflows of resources and deferred inflows of resources reported by the Board at December 31, 2021, are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 3,809,980	\$ 3,510,324
Changes of assumptions	6,855,483	-
Net difference between projected and actual	<u>-</u>	<u>17,143,534</u>
Total	<u>\$ 10,665,463</u>	<u>\$ 20,653,858</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at December 31, 2021 will be recognized in pension expense as follows:

<u>Years ended December 31,</u>	<u>Retirement Plan</u>
2022	\$(1,245,991)
2023	\$(5,666,990)
2024	\$(1,745,194)
2025	\$ (532,201)
2026	\$ (498,854)
Thereafter	\$ (299,165)

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 9 - EMPLOYEE BENEFIT PLANS (CONT'D)**

**Assumptions and Other Data**

<u>Schedule of Assumptions</u>	<u>Retirement Plan</u>
Investment Rate of Return	7.00%
Inflation	2.50%
Salary increases	3.25% - 8.75%, based on years of service
Mortality Rates	<p>Mortality rates for active and terminated vested participants were based on the sex-distinct RP-2014 Employee Mortality Table, projected generationally with Scale MP2018.</p> <p>Mortality rates for healthy annuitants were based on the sex-distinct RP-2014 Healthy Annuitant Mortality Table with rates multiplied by 1.25, projected generationally with Scale MP2018.</p> <p>Mortality rates for disabled annuitants were based on the sex-distinct RP-2014 Disabled Retiree Mortality Table with rates multiplied by 1.25, projected generationally with Scale MP2018.</p>

The actuarial assumptions used in the December 31, 2021 measurements were based on the results of an experience study for the period January 1, 2014 to December 31, 2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Expected Nominal Rate of Return</u>	<u>Expected Real Rate of Return</u>	<u>Allocation</u>
Large Cap U.S. Equity	6.90%	4.60%	22.50%
Small Cap U.S. Equity	6.90%	4.60%	22.50%
International (Non-U.S.) Equity (Developed)	1.90%	(0.29)%	22.00%
Cash (Gov't)	1.90%	(0.29)%	3.00%
Core U.S. Fixed Income (Market Duration)	2.50%	0.29%	30.00%
Total Portfolio	100%	95.69%	100.00%

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PLAN**

**Plan Description**

The Board sponsors a single-employer other postemployment benefit plan (OPEB). The OPEB provides for medical and dental insurance coverage to eligible retirees and their dependents as indicated below:

*Eligibility:* Participants who are retired and receiving a pension under The Water Works Board of the City of Birmingham Pension Plan or disabled with at least two years of service are eligible for coverage under the OPEB. Benefits are generally available at the earliest of the following:

- a. 30 years of service
- b. The later of age 52 and 20 years of service
- c. The later of age 54 and 10 years of service

*Benefit Types:* Life, medical and prescription drug benefits are provided to all eligible retirees. Dental and vision benefits are provided only to under age 65 retirees. Dependents of eligible retirees are granted the same benefits as the retiree, with the exception of life insurance coverage, which is not available to dependents.

*Duration of Coverage:* Coverage is available for eligible participants from the date of retirement until death. When the participant reaches age 65, health benefits will change to Medicare, with the OPEB covering premiums for Medicare Supplemental insurance. Retirees with less than 25 years of service as of January 1, 2008 are not eligible for Post-65 coverage unless they were already retired or over age 65 as of January 1, 2008.

*Dependent Coverage:* Benefits are payable to a spouse of an eligible retiree for the spouse's lifetime, regardless of when the retiree dies. When the dependent reaches age 65, health benefits will change to Medicare, with the OPEB covering premiums for Medicare Supplemental insurance. Spouses of retirees with less than 25 years of service as of January 1, 2008 are not eligible for Post-65 coverage.

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS (CONT'D)**

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB)*. GASB Statement No. 75 establishes standards for the measurement, recognition and disclosure of OPEB expenses and related liabilities and is effective for the Board for the year ended December 31, 2018. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a non-employer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, the OPEB plan administrator, and the plan members.

*Employer Contributions:* The Board made an initial funding of the OPEB trust of \$4,000,000 in 2009. In addition, the Board funded the actuarially determined contribution (ADC) to the OPEB in 2021. It is the intention of the Board to fund the ADC on an annual basis as it is determined. Currently, retirees and employees under age 65 are required to contribute to the OPEB plan and retirees over age 65 and active employees are not required to contribute to the OPEB plan.

**Net OPEB Liability**

The Net OPEB Liability was measured as of December 31, 2020 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date.



**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PLAN (CONT'D)**

**Net OPEB Liability**

<u>Reporting Date</u>	12/31/21
Measurement Date	12/31/20
Components of the Net OPEB Liability	
Total OPEB Liability	\$37,478,878
Plan Fiduciary Net Position	<u>34,255,149</u>
Net OPEB Liability	<u>\$ 3,223,729</u>
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	91.40%

Schedule of Changes in the Net OPEB Liability

<u>Change in Net OPEB Liability</u>	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Service Cost	\$ 696,658	-	\$ 696,658
Interest on Total Pension Liability	2,517,081	-	2,517,081
Change in Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	162,784	-	162,784
Employer Contribution	-	1,248,331	(1,248,331)
Employee Contributions	-	-	-
OPEB Plan Net Investment Income	-	3,091,443	(3,091,443)
Assumption Changes	-	-	-
Benefit Payments, including Refunds	(2,280,012)	(2,280,012)	-
Administrative Expense	-	<u>(169,682)</u>	<u>169,682</u>
Net Change	1,096,511	1,890,080	(793,569)
Net OPEB Liability Beginning	<u>36,382,367</u>	<u>32,365,069</u>	<u>4,017,298</u>
Net OPEB Liability Ending	<u>\$ 37,478,878</u>	<u>34,255,149</u>	<u>\$ 3,223,729</u>

**Actuarial Assumptions**

The total OPEB liability was measured by an actuarial valuation as of December 31, 2020 using the following actuarial assumptions applied to all periods included in the measurement unless otherwise specified:

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PLAN (CONT'D)**

<b>Schedule of Assumptions</b>	<b>OPEB Plan</b>
Inflation	2.50%
Salary increases	3.25 - 8.75%, based on years of service
Discount rate	7.00%
Healthcare cost trend rates	
Under 65 combined medical and vision	6.00% graded to 4.50% over 6 years
Over 65 combined medical and vision	7.00% graded to 4.50% over 10 years
Prescription drug	10.00% graded to 4.50% over 22 years
Dental	4.00%
Administrative expenses	2.50%
Mortality Rates	Sex-distinct RP-2014 Mortality Tables for employees, annuitants, and disabled participants, as appropriate adjusted by a factor of 125%, and with adjustments for mortality improvement using Scale MP2018.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method 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 returns 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 and subtracting expected investment expenses. The target allocation and projected arithmetic real rates of return for each major asset class, after deduction inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions are summarized below:

<b>Asset Class</b>	<b>Expected Nominal Rate of Return</b>	<b>Expected Real Rate of Return</b>	<b>Allocation</b>
Large Cap U.S. Equity	6.90%	4.60%	22.5%
Small Cap U.S. Equity	6.90%	4.60%	22.5%
International (Non-U.S.) Equity (Developed)	1.90%	-0.29%	22.0%
Cash (Gov't)	1.90%	-0.29%	3.0%
Core U.S. Fixed Income (Market Duration)	<u>2.50%</u>	<u>0.29%</u>	<u>30.0%</u>
Total	<u>100%</u>	<u>95.69%</u>	<u>100%</u>

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PLAN (CONT'D)**

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the Board (NOL) calculated using the discount rate of 7.00%, as well as what the NOL would be if it were calculated using a discount rate that is one-percentage-point lower (6.00%) or one-percentage-point higher (8.00%) than the current rate. Also, shown is the NOL as if it were calculated using healthcare cost trend rates that were one-percentage-point lower or one-percentage-point higher than the current healthcare trend rates:

<u>Sensitivity</u>	<u>Discount Rate</u>		
	<u>1% Decrease 6.00%</u>	<u>Current Rate 7.00%</u>	<u>1% Increase 8.00%</u>
Net OPEB Liability (Asset)	\$6,866,526	\$3,223,729	\$-127,366
	<u>Current Health Care Cost Trend Rate 7.00%</u>		
	<u>1% Decrease 6.00%</u>	<u>Current Health Care Cost Trend Rate 7.00%</u>	<u>1% Increase 8.00%</u>
Net OPEB Liability (Asset)	\$443,207	\$3,223,729	\$6,108,367

**OPEB Expense and Schedule of Deferred Outflows and Inflow of Resources**

For the fiscal year ended December 31, 2021, the Board recognized OPEB expense of \$858,418. Deferred outflows of resources and deferred inflows of resources reported by the Board at December 31, 2021, are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 5,787,909	\$ 1,359,360
Changes of assumptions	-	3,693,375
Net difference between projected and actual	<u>-</u>	<u>1,614,080</u>
Total	<u>\$ 5,787,909</u>	<u>\$ 6,666,815</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at December 31, 2021 will be recognized in OPEB expense as follows:

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PLAN (CONT'D)**

<u>Years ended December 31,</u>	<u>Retirement Plan</u>
2021	\$N/A
2022	\$(301,494)
2023	\$55,460
2024	\$(782,469)
2025	\$(36,257)
2026	\$137,330
Thereafter	\$48,524

**NOTE 11 - DEFERRED COMPENSATION PLAN**

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights (until paid or made available to the employee or other beneficiary) are solely the property and rights of the participating employees. In accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the deferred compensation assets and liabilities are not recorded in the accompanying statements of net position - enterprise fund.

**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

***Litigation*** - The Board is a party to various lawsuits and claims arising in the normal course of System business. While the results of litigation cannot be predicted with certainty, management believes that the outcome of such litigation will not have a material adverse effect on the Board's financial position or results of operations.

***Self-Insurance***. The Board is self-insured for workers' compensation claims up to \$500,000 per occurrence in a 12-month liability period. Claims in excess of \$500,000 are covered by an excess insurance policy. Provision is made in the financial statements for estimates of both reported claims and claims incurred but not reported.

The Board is self-insured for active and retired employees' health care coverage up to \$150,000 per covered employee during a calendar year. Claims in excess of \$150,000 are covered by an excess health policy. Provision is made in the financial statements for estimates of both reported claims and claims incurred but not reported.

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 12 - COMMITMENTS AND CONTINGENCIES (CONT'D)**

Both of these estimates are actuarially determined using details of historical activity provided by the Board's claims administrators. The following is a reconciliation of changes in the aggregate liabilities for self-insured workers' compensation and health care coverage claims for the years ended 2021 and 2020. The end of year accrual is included in accrued expenses in the accompanying statements of net position - enterprise fund.

	<u>2021</u>	<u>2020</u>
Beginning of the year accrual	\$ 1,661,330	\$ 1,984,996
Claims expense	7,145,988	6,768,448
Claims paid	<u>(7,160,236)</u>	<u>(7,092,114)</u>
End of the year accrual	<u>\$ 1,647,082</u>	<u>\$ 1,661,330</u>

At December 31, 2021, commitments for capital expenditures totaled approximately \$31.74 million.

**NOTE 13 - AGENCY AGREEMENTS**

Prior to June 1, 2018, the Board, was in an agreement with Jefferson County, Alabama (the County) and as provided by State of Alabama law, collected service charges for use of the County sewer disposal system from the Board's water customers as a separate item on the Board's water bills. The Board remitted weekly to the County all sewer service charges collected, and it billed the County for the cost of collecting such charges which, under the agreement with the County, included a portion of the Board's general overhead expense. Sewer service charges have been collected for the County by the Board since 1962. The Board has similar agreements with the City of Hoover (Hoover), South West Water and Alabama Utilities. The liability for unremitted collections under these agency agreements is included in accounts payable in the accompanying statements of net position - enterprise fund. The amounts charged under these agency agreements are reflected as reductions in operating expenses in the accompanying statements of revenues, expenses and changes in net position - enterprise fund.

Effective June 1, 2018, the board revised its agreement with the County. Under the revised agreement, the Board remits weekly to the County all sewer service charges billed less adjustments and credits and less the Board's fee. The fee is based on and derived from mutually agreed upon costs in a periodic cost allocation study, plus an additional two percent (2%) of the Net Sewer Service Charges billed by the Board for the Board assuming and accepting assignment and collection of all debts or claims for payment for said sewer service charges from the County's sewer customers. The fee from June 1, 2018 to September 30, 2018 was 5.69% and effective October 1, 2018 to April 30, 2022 the fee shall be 7.77%. The liability for unremitted billings under this agency agreement is included in accounts payable in the accompanying statements of net position - enterprise fund. The amounts charged under these agency agreements are included in other operating revenue in the accompanying statements of revenues and changes in net position - enterprise fund.

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 13 - AGENCY AGREEMENTS (CONT'D)**

The Board also bills its customers a State of Alabama utility tax based on a percentage of revenues. The funds collected are remitted to the State monthly. The liability for unremitted collections to the State is included in general taxes payable in the accompanying statements of net position - enterprise fund.

Following is a summary of amounts received and disbursed and costs of collecting charges billed under the agency agreements described above for the year ended 2021:

	<u>Sewer Charges Based on Collections</u>	<u>State of Alabama Utility Taxes</u>
Amounts received/billed:		
City of Hoover	\$ 3,288,016	\$ -
SouthWest Water	7,785,564	-
Alabama Utilities/Moody	1,298,170	-
Phoenix	341,092	-
State of Alabama - utility taxes	<u>-</u>	<u>6,510,518</u>
Total amounts received	12,712,842	6,510,518
Amounts disbursed:		
City of Hoover	3,442,831	-
SouthWest Water	8,144,838	-
Alabama Utilities/Moody	1,307,943	-
Phoenix	336,932	-
State of Alabama - utility taxes	<u>-</u>	<u>6,598,882</u>
Total amounts disbursed	<u>13,232,544</u>	<u>6,598,882</u>
Receipts less disbursements	(519,703)	(88,364)
Balance at beginning of the year	<u>569,570</u>	<u>421,289</u>
Balance at end of the year	<u>\$ 49,867</u>	<u>\$ 332,925</u>
Cost of collecting charges billed:		
City of Hoover	<u>\$ 215,612</u>	
SouthWest Water	<u>\$ 316,838</u>	
Alabama Utilities/Moody	<u>\$ 54,257</u>	
Phoenix	<u>\$ 13,464</u>	

Following is a summary of amounts received and disbursed and costs of collecting charges billed under the agency agreements described above for the year ended December 31, 2020:

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 13 - AGENCY AGREEMENTS (CONT'D)**

	<b>Sewer Charges Based on Collections</b>	<b>State of Alabama Utility Taxes</b>
	<u>                    </u>	<u>                    </u>
Amounts received/billed:		
City of Hoover	\$ 3,580,137	\$ -
SouthWest Water	7,906,944	-
Alabama Utilities/Moody	1,270,535	-
Phoenix	316,741	-
State of Alabama - utility taxes	<u>-</u>	<u>6,524,558</u>
Total amounts received	13,074,357	6,524,558
Amounts disbursed:		
City of Hoover	3,523,909	-
SouthWest Water	7,601,031	-
Alabama Utilities/Moody	1,261,130	-
Phoenix	321,236	-
State of Alabama - utility taxes	<u>-</u>	<u>6,565,981</u>
Total amounts disbursed	<u>12,707,306</u>	<u>6,565,981</u>
Receipts less disbursements	367,051	(41,423)
Balance at beginning of the year	<u>202,519</u>	<u>462,712</u>
Balance at end of the year	<u>\$ 569,570</u>	<u>\$ 421,289</u>
Cost of collecting charges billed:		
City of Hoover	<u>\$ 237,954</u>	
SouthWest Water	<u>\$ 310,011</u>	
Alabama Utilities/Moody	<u>\$ 53,830</u>	
Phoenix	<u>\$ 13,776</u>	

**NOTE 14 - RISKS AND UNCERTAINTIES**

**COVID-19**

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) as a pandemic. COVID-19 is rapidly evolving and is having a significant negative impact on the US economy and worldwide, which could continue. The Board expects the pandemic to negatively impact its operating results. However, due to the economic uncertainties resulting from the spread of COVID-19, the related financial impact and duration cannot be reasonably estimated at this time.

**NOTE 15 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events and their potential effect on these financial statements through June 30, 2022, the audit report date.

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**SCHEDULES OF CHANGES IN NET PENSION LIABILITY**  
**AND RELATED RATIOS**  
**Last 7 Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability</b>							
Service cost	\$ 4,268,734	\$ 4,365,131	\$ 4,142,535	\$ 4,155,397	\$ 4,209,926	\$ 4,020,819	\$ 4,031,007
Interest on total pension liability	15,513,746	15,077,794	14,352,628	13,894,593	12,940,862	12,467,773	11,758,667
Change in benefit terms	-	236,372	-	-	-	-	-
Difference between expected and actual experience	(2,571,305)	(841,148)	5,629,330	(1,106,675)	1,334,744	(642,645)	(23,124)
Assumption changes	-	-	11,419,385	-	-	-	2,640,952
Benefit payments, including refunds	<u>(13,270,142)</u>	<u>(11,981,998)</u>	<u>(11,493,584)</u>	<u>(10,153,061)</u>	<u>(9,695,978)</u>	<u>(9,380,217)</u>	<u>(8,525,285)</u>
Net change in total pension liability	3,941,033	6,856,151	24,050,294	6,790,254	8,789,554	6,465,730	9,882,217
Total pension liability- beginning	<u>223,879,069</u>	<u>217,022,918</u>	<u>192,972,624</u>	<u>186,182,370</u>	<u>177,392,816</u>	<u>170,927,086</u>	<u>161,044,869</u>
Total pension liability- ending (a)	<u>\$ 227,820,102</u>	<u>\$ 223,879,069</u>	<u>\$ 217,022,918</u>	<u>\$ 192,972,624</u>	<u>\$ 186,182,370</u>	<u>\$ 177,392,816</u>	<u>\$ 170,927,086</u>
<b>Plan Fiduciary Net Position</b>							
Employer contributions	\$ 5,921,693	\$ 5,693,936	\$ 5,359,630	\$ 5,571,296	\$ 5,688,889	\$ 5,082,832	\$ 4,709,350
Employee contributions	3,027,756	3,221,660	3,043,806	2,981,025	2,986,900	2,881,884	2,740,313
Pension plan net investment income	24,616,967	17,338,988	29,326,115	(9,456,995)	19,358,952	3,948,011	(396,188)
Benefit payments, including refunds	(13,270,142)	(11,981,998)	(11,493,584)	(10,153,061)	(9,695,978)	(9,380,217)	(8,525,285)
Administrative expense	<u>(99,503)</u>	<u>(75,040)</u>	<u>(140,339)</u>	<u>(69,940)</u>	<u>(229,456)</u>	<u>(283,769)</u>	<u>(348,393)</u>
Net change in plan fiduciary net position	20,196,771	14,197,546	26,095,628	(11,127,675)	18,109,307	2,248,741	(1,820,203)
Plan fiduciary net position - beginning	<u>176,825,611</u>	<u>162,628,066</u>	<u>136,532,438</u>	<u>147,660,113</u>	<u>129,550,806</u>	<u>127,302,065</u>	<u>129,122,268</u>
Plan fiduciary net position - end (b)	<u>\$ 197,022,382</u>	<u>\$ 176,825,612</u>	<u>\$ 162,628,066</u>	<u>\$ 136,532,438</u>	<u>\$ 147,660,113</u>	<u>\$ 129,550,806</u>	<u>\$ 127,302,065</u>
<b>Board's net pension liability - ending (a)-(b)</b>	<u>\$ 30,797,720</u>	<u>\$ 47,053,457</u>	<u>\$ 54,394,852</u>	<u>\$ 56,440,186</u>	<u>\$ 38,522,257</u>	<u>\$ 47,842,010</u>	<u>\$ 43,625,021</u>
Plan fiduciary net position as a percentage of the total pension liability	86.48%	78.98%	74.94%	70.75%	79.31%	73.03%	74.48%
Covered employee payroll	\$ 46,003,980	\$ 44,959,595	\$ 42,830,369	\$ 43,106,349	\$ 40,567,065	\$ 38,854,522	\$ 37,771,701
Net position liability as a percentage of covered employee payroll	66.95%	104.66%	127.00%	130.93%	94.96%	123.13%	115.50%



**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**Last 7 Fiscal Years**

<u>Year Ended December 31</u>	<u>Actuarially Determined Contributions</u>	<u>Contributions in Relation to the Actuarially Determined Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
2021	\$5,921,693	\$5,921,693	\$ -	\$46,003,980	12.87%
2020	\$5,693,936	\$5,693,936	\$ -	\$44,959,595	12.66%
2019	\$5,474,938	\$5,359,630	\$115,308	\$42,830,369	12.51%
2018	\$5,264,364	\$5,571,296	\$(306,932)	\$43,106,349	12.92%
2017	\$5,061,888	\$5,871,721	\$(809,833)	\$40,567,065	14.47%
2016	\$4,867,200	\$5,082,832	\$(215,632)	\$38,854,522	13.08%
2015	\$4,680,000	\$4,709,350	\$(29,350)	\$37,771,701	12.47%

**Notes to Schedule**

Validation date	Actuarial determined contribution rate is calculated using a January 1st valuation date as of the beginning of the fiscal year in which contributions are reported.
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Effective amortization period determined based on contribution schedule increasing 4% per year beginning with contribution of \$4,500,000 for 2014.
Remaining amortization period	12.6 years remaining as of January 1, 2022
Asset valuation method	Market value of assets less unrecognized returns beginning with the January 1, 2009 valuation. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.
Investment rate of return	7.00%, including inflation, net of pension plan investment expense
Inflation rate	2.50%
Projected salary increases	3.25% - 8.75%, based on years of service
Mortality	<p><b>Pre-retirement:</b> RP-2014 Employee Mortality Table projected generationally with scale MP2018.</p> <p><b>Healthy Annuitant:</b> RP-2014 Healthy Annuitant Mortality Table with rates multiplied by 1.25, projected generationally with scale MP2018.</p> <p><b>Disabled:</b> RP-2014 Disabled Retiree Mortality Table with rates multiplied by 1.25, projected generationally with Scale MP2018.</p>

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**SCHEDULES OF CHANGES IN NET OPEB LIABILITY**  
**AND RELATED RATIOS**  
**Last 4 Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 940,028	\$ 696,658	\$ 602,863	\$ 588,161
Interest	2,612,242	2,517,081	2,298,702	2,258,974
Change in benefit terms	-	-	186,670	-
Difference between expected and actual experience	292,230	162,784	7,695,468	227,422
Assumption changes	3,094,118	-	(3,063,333)	-
Benefit payments, including refunds	<u>(2,240,204)</u>	<u>(2,280,012)</u>	<u>(2,769,011)</u>	<u>(2,350,080)</u>
Net change in total OPEB liability	4,698,414	1,096,511	4,951,359	724,477
Total OPEB liability- beginning	<u>37,478,878</u>	<u>36,382,367</u>	<u>31,431,008</u>	<u>30,706,531</u>
Total pension liability- ending (a)	<u>\$ 42,177,292</u>	<u>\$ 37,478,878</u>	<u>\$ 36,382,367</u>	<u>\$ 31,431,008</u>
<b>Plan Fiduciary Net Position</b>				
Employer contributions	\$ 891,926	\$ 1,248,331	\$ 760,988	\$ 2,458,406
Employee contributions	-	-	-	-
Net investment income	4,333,454	3,091,443	5,805,454	(1,887,509)
Benefit payments, including refunds	(2,240,204)	(2,280,012)	(2,769,011)	(2,350,080)
Administrative expense	<u>(196,335)</u>	<u>(169,682)</u>	<u>(189,928)</u>	<u>(208,517)</u>
Net change in plan fiduciary net position	2,788,841	1,890,080	3,607,503	(1,987,700)
Plan fiduciary net position - beginning	<u>34,255,149</u>	<u>32,365,069</u>	<u>28,757,566</u>	<u>30,745,266</u>
Plan fiduciary net position - end (b)	<u>\$ 37,043,990</u>	<u>\$ 34,255,149</u>	<u>\$ 32,365,069</u>	<u>\$ 28,757,566</u>
<b>Board's net OPEB liability - ending (a)-(b)</b>	<u>\$ 5,133,302</u>	<u>\$ 3,223,729</u>	<u>\$ 4,017,298</u>	<u>\$ 2,673,442</u>
Plan fiduciary net position as a percentage of the total pension liability	87.83%	91.40%	88.96%	91.49%
Covered employee payroll	\$ 46,003,980	\$ 42,951,531	\$ 41,903,933	\$ 44,291,774
Net position liability as a percentage of covered employee payroll	11.16%	7.51%	9.59%	6.04%

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**Last 10 Fiscal Years**

<u>Year Ended December 31</u>	<u>Actuarially Determined Contributions</u>	<u>Contributions in Relation to the Actuarially Determined Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
2022	\$1,385,801	\$-	\$-	\$47,729,129	-%
2021	\$891,926	\$891,926	\$-	\$46,003,980	1.94%
2020	\$1,248,331	\$1,248,331	\$-	\$42,951,531	2.91%
2019	\$760,988	\$760,988	\$-	\$41,903,933	1.82%
2018	\$685,477	\$2,458,406	\$(1,772,929)	\$43,106,349	5.70%
2017	\$1,281,813	\$1,695,429	\$(413,616)	\$40,567,065	4.18%
2016	\$1,442,113	\$1,431,787	\$10,326	\$36,824,712	3.89%
2015	\$2,001,009	\$1,949,329	\$51,680	\$37,771,701	5.16%
2014	\$1,989,582	\$1,978,720	\$10,862	\$36,473,189	5.43%
2013	\$3,641,437	\$897,502	\$2,743,935	\$36,969,463	2.43%

**Notes to Schedule**

Validation date	Actuarial determined contribution rates are calculated as of the beginning of the fiscal year in which contributions are reported.
Actuarial cost method	Unit Credit
Amortization method	Closed 25-year level percentage-of-payroll with no amortization of surplus.
Remaining amortization period	11 years remaining as of January 1, 2022
Asset valuation method	Market value

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**SCHEDULE OF LONG-TERM DEBT (CONT'D)**  
**For the year ended 2021**

Maturity Date	Series 2011 Subordinate Bonds				Series 2012 Subordinate Bonds			
	Rate	Principal	Interest	Total	Rate	Principal	Interest	Total
2022	3.100	\$ 100,000	\$ 34,875	\$ 134,875	\$ 2.900	\$ 65,000	\$ 23,563	\$ 88,563
2023	3.100	105,000	31,698	136,698	2.900	70,000	21,605	91,605
2024	3.100	110,000	28,365	138,365	2.900	70,000	19,575	89,575
2025	3.100	110,000	24,955	134,955	2.900	70,000	17,545	87,545
2026	3.100	115,000	21,468	136,468	2.900	75,000	15,443	90,443
2027	3.100	120,000	17,825	137,825	2.900	75,000	13,268	88,268
2028	3.100	125,000	14,028	139,028	2.900	80,000	11,020	91,020
2029	3.100	125,000	10,153	135,153	2.900	80,000	8,700	88,700
2030	3.100	130,000	6,200	136,200	2.900	85,000	6,308	91,308
2031	3.100	135,000	2,093	137,093	2.900	85,000	3,843	88,843
2032	-	-	-	-	-	90,000	1,305	91,305
Total		<u>1,175,000</u>	<u>191,660</u>	<u>1,366,660</u>		<u>845,000</u>	<u>142,175</u>	<u>987,175</u>
Bond (discount) premium		<u>-</u>				<u>-</u>		
		<u>\$ 1,175,000</u>				<u>\$ 845,000</u>		

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**SCHEDULE OF LONG-TERM DEBT (CONT'D)**  
**For the year ended 2021**

Maturity Date	Series 2013 Subordinate Bonds				Series 2014 Subordinate Bonds			
	Rate	Principal	Interest	Total	Rate	Principal	Interest	Total
2022	2.750	\$ 275,000	\$ 101,819	\$ 376,819	\$ 2.450	\$ 30,000	\$ 11,393	\$ 41,393
2023	2.750	280,000	94,188	374,188	2.450	30,000	10,658	40,658
2024	2.750	290,000	86,350	376,350	2.450	30,000	9,923	39,923
2025	2.750	300,000	78,238	378,238	2.450	30,000	9,188	39,188
2026	2.750	305,000	69,919	374,919	2.450	30,000	8,453	38,453
2027	2.750	315,000	61,394	376,394	2.450	30,000	7,718	37,718
2028	2.750	325,000	52,594	377,594	2.450	30,000	6,983	36,983
2029	2.750	330,000	43,588	373,588	2.450	35,000	6,248	41,248
2030	2.750	340,000	34,375	374,375	2.450	35,000	5,390	40,390
2031	2.750	350,000	24,888	374,888	2.450	35,000	4,533	39,533
2032	2.750	360,000	15,125	375,125	2.450	35,000	3,675	38,675
2033	2.750	370,000	5,088	375,088	2.450	35,000	2,818	37,818
2034	-	-	-	-	2.450	40,000	1,960	41,960
2035	-	-	-	-	2.450	40,000	980	40,980
Total		<u>3,840,000</u>	<u>667,566</u>	<u>4,507,566</u>		<u>465,000</u>	<u>89,920</u>	<u>554,920</u>
Bond (discount) premium		<u>-</u>				<u>-</u>		
		<u>\$ 3,840,000</u>				<u>\$ 465,000</u>		

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**SCHEDULE OF LONG-TERM DEBT (CONT'D)**  
**For the year ended 2021**

Maturity Date	Series 2015-A Bonds				Series 2015-B Bonds			
	Rate	Principal	Interest	Total	Rate	Principal	Interest	Total
2022	5.000	\$ 3,470,000	\$ 940,475	\$ 4,410,475	5.000	\$ 860,000	\$ 580,275	\$ 1,440,275
2023	5.000	3,650,000	762,475	4,412,475	5.000	910,000	536,025	1,446,025
2024	5.000	3,840,000	575,225	4,415,225	5.000	955,000	489,400	1,444,400
2025	5.000	4,030,000	378,475	4,408,475	5.000	985,000	440,900	1,425,900
2026	5.000	4,240,000	171,725	4,411,725	5.000	1,040,000	390,275	1,430,275
2027	3.000	700,000	55,225	755,225	3.000	995,000	349,350	1,344,350
2028	3.000	720,000	33,925	753,925	3.000	1,035,000	318,900	1,353,900
2029	3.125	740,000	11,563	751,563	3.125	1,080,000	286,500	1,366,500
2030	-	-	-	-	3.250	1,950,000	237,938	2,187,938
2031	-	-	-	-	-	-	206,250	206,250
2032	-	-	-	-	-	-	206,250	206,250
2033	-	-	-	-	-	-	206,250	206,250
2034	-	-	-	-	-	-	206,250	206,250
2035	-	-	-	-	-	-	206,250	206,250
2036	-	-	-	-	3.750	1,000,000	187,500	1,187,500
2037	-	-	-	-	3.750	1,030,000	149,438	1,179,438
2038	-	-	-	-	3.750	1,115,000	109,219	1,224,219
2039	-	-	-	-	3.750	1,155,000	66,655	1,221,655
2040	-	-	-	-	3.750	1,200,000	22,500	1,222,500
Total		21,390,000	2,929,088	24,319,088		15,310,000	5,196,125	20,506,125
Bond (discount) premium		<u>1,454,270</u>				<u>1,224,100</u>		
		<u>\$ 22,844,270</u>				<u>\$ 16,534,100</u>		

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**SCHEDULE OF LONG-TERM DEBT (CONT'D)**  
**For the year ended 2021**

Maturity Date	Series 2016-A Bonds				Series 2018-B Bonds			
	Rate	Principal	Interest	Total	Rate	Principal	Interest	Total
2022	5.000	\$ 3,025,000	\$ 4,701,175	\$ 7,726,175	\$ 5.000	\$ 1,900,000	\$ 2,244,000	\$ 4,144,000
2023	5.000	3,185,000	4,545,925	7,730,925	5.000	2,005,000	2,146,375	4,151,375
2024	5.000	3,350,000	4,382,550	7,732,550	5.000	2,095,000	2,043,875	4,138,875
2025	5.000	3,520,000	4,210,800	7,730,800	5.000	2,225,000	1,935,875	4,160,875
2026	5.000	3,700,000	4,030,300	7,730,300	5.000	6,540,000	1,716,750	8,256,750
2027	5.000	7,595,000	3,747,925	11,342,925	5.000	7,005,000	1,378,125	8,383,125
2028	5.000	7,990,000	3,358,300	11,348,300	5.000	7,350,000	1,019,250	8,369,250
2029	5.000	8,395,000	2,948,675	11,343,675	5.000	7,730,000	642,250	8,372,250
2030	5.000	4,560,000	2,624,800	7,184,800	5.000	3,935,000	350,625	4,285,625
2031	-	-	2,510,800	2,510,800	5.000	5,045,000	126,125	5,171,125
2032	-	-	2,510,800	2,510,800	-	-	-	-
2033	-	-	2,510,800	2,510,800	-	-	-	-
2034	-	-	2,510,800	2,510,800	-	-	-	-
2035	-	-	2,510,800	2,510,800	-	-	-	-
2036	4.000	11,635,000	2,278,100	13,913,100	-	-	-	-
2037	4.000	12,110,000	1,803,200	13,913,200	-	-	-	-
2038	4.000	12,605,000	1,308,900	13,913,900	-	-	-	-
2039	4.000	13,125,000	794,300	13,919,300	-	-	-	-
2040	4.000	6,515,000	401,500	6,916,500	-	-	-	-
2041	4.000	6,780,000	135,600	6,915,600	-	-	-	-
Total		<u>108,090,000</u>	<u>53,826,050</u>	<u>161,916,050</u>		<u>45,830,000</u>	<u>13,603,250</u>	<u>59,433,250</u>
Bond (discount) premium		<u>13,536,213</u>				<u>4,377,069</u>		
		<u>\$ 121,626,213</u>				<u>\$ 50,207,069</u>		

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**SCHEDULE OF LONG-TERM DEBT (CONT'D)**  
**For the year ended 2021**

Maturity Date	Series 2019				Series 2021			
	Rate	Principal	Interest	Total	Rate	Principal	Interest	Total
2022	2.032	\$ 10,480,000	\$ 10,110,758	\$ 20,590,758	\$ 0.207	\$ 11,210,000	\$ 9,544,048	\$ 20,754,048
2023	2.161	10,700,000	9,888,667	20,588,667	0.307	14,620,000	10,284,787	24,904,787
2024	2.201	10,935,000	9,652,714	20,587,714	0.570	14,695,000	10,220,464	24,915,464
2025	2.363	11,200,000	9,400,046	20,600,046	0.848	14,795,000	10,115,853	24,910,853
2026	2.463	11,465,000	9,126,527	20,591,527	1.098	10,820,000	9,993,720	20,813,720
2027	2.601	14,790,000	8,792,992	23,582,992	1.316	8,575,000	9,877,895	18,452,895
2028	2.671	15,175,000	8,397,985	23,572,985	1.466	8,690,000	9,757,774	18,447,774
2029	2.701	15,580,000	7,984,915	23,564,915	1.613	8,825,000	9,622,902	18,447,902
2030	2.801	15,220,000	7,561,351	22,781,351	1.713	18,665,000	9,391,863	28,056,863
2031	2.901	16,780,000	7,104,801	23,884,801	1.813	23,715,000	9,017,021	32,732,021
2032	3.001	13,565,000	6,657,865	20,222,865	2.013	33,225,000	8,467,635	41,692,635
2033	3.091	14,075,000	6,236,793	20,311,793	2.163	33,930,000	7,766,272	41,696,272
2034	3.141	14,920,000	5,784,945	20,704,945	2.288	34,670,000	7,002,694	41,672,694
2035	3.463	15,490,000	5,282,417	20,772,417	2.388	35,495,000	6,182,259	41,677,259
2036	3.463	15,075,000	4,753,184	19,828,184	2.513	24,995,000	5,444,387	30,439,387
2037	3.463	15,615,000	4,221,787	19,836,787	2.610	25,650,000	4,795,592	30,445,592
2038	3.463	11,155,000	3,758,264	14,913,264	2.710	31,285,000	4,036,948	35,321,948
2039	3.463	16,750,000	3,275,089	20,025,089	2.760	23,025,000	3,295,291	26,320,291
2040	3.463	19,005,000	2,645,539	21,650,539	2.860	21,445,000	2,670,883	24,115,883
2041	3.573	20,940,000	1,931,921	22,871,921	2.860	22,070,000	2,048,618	24,118,618
2042	3.573	17,415,000	1,246,709	18,661,709	2.860	26,980,000	1,347,203	28,327,203
2043	3.573	12,820,000	706,561	13,526,561	2.860	33,615,000	480,695	34,095,695
2044	3.573	6,560,000	360,338	6,920,338	-	-	-	-
2045	3.573	6,805,000	121,571	6,926,571	-	-	-	-
Total		332,515,000	135,003,739	467,518,739	41.836	480,995,000	151,364,804	632,359,804
Bond (discount) premium		-	-	-		-	-	-
		<u>\$ 332,515,000</u>				<u>\$ 480,995,000</u>		



**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**SCHEDULE OF LONG-TERM DEBT (CONT'D)**  
**For the year ended 2021**

Maturity Date	Aggregate Debt Service		
	Principal	Interest	Total
2022	\$ 31,415,000	\$ 28,292,380	\$ 59,707,380
2023	35,555,000	28,322,401	63,877,401
2024	36,370,000	27,508,441	63,878,441
2025	37,265,000	26,611,874	63,876,874
2026	38,330,000	25,544,578	63,874,578
2027	40,200,000	24,301,715	64,501,715
2028	41,520,000	22,970,758	64,490,758
2029	42,920,000	21,565,493	64,485,493
2030	44,920,000	20,218,849	65,138,849
2031	46,145,000	19,000,352	65,145,352
2032	47,275,000	17,862,654	65,137,654
2033	48,410,000	16,728,020	65,138,020
2034	49,630,000	15,506,649	65,136,649
20354	51,025,000	14,182,706	65,207,706
2036	52,705,000	12,663,171	65,368,171
2037	54,405,000	10,970,016	65,375,016
2038	56,160,000	9,213,331	65,373,331
2039	54,055,000	7,431,336	61,486,336
2040	48,165,000	5,740,421	53,905,421
2041	49,790,000	4,116,139	53,906,139
2042	44,395,000	2,593,912	46,988,912
2043	46,435,000	1,187,255	47,622,255
2044	6,560,000	360,337	6,920,337
2045	6,805,000	121,571	6,926,571
Total	1,010,455,000	363,014,359	1,373,469,359
Bond (discount) premium	20,591,652		
	<u>\$ 1,031,046,652</u>		

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**SCHEDULE OF CHANGES IN UTILITY PLANT ASSETS**  
**For the year ended 2021**

Account Reference	Asset Account				
	Balance as of December 31, 2020	Plant Additions	Plant Retirements	Balance as of December 31, 2021	
<b>Utility plant in service:</b>					
<b>Land and land rights:</b>					
103110	Reservoirs	\$ 3,280,022	\$ -	\$ -	\$ 3,280,022
103115	Other sources of supply	1,188,285	-	-	1,188,285
103120	Power and pumping	6,455,092	-	-	6,455,092
103125	Purification	2,638,278	-	-	2,638,278
103130	Transmission	65,724	-	-	65,724
103135	Distribution reservoirs and standpipes	734,720	-	-	734,720
103140	Distribution	5,626,885	-	-	5,626,885
103145	General land	2,391,512	986,451	-	3,377,963
103150	Office	4,163,445	-	-	4,163,445
103155	Stores, shop and garage	744,648	-	-	744,648
103160	Miscellaneous	11,824,315	-	-	11,824,315
	Total land and land rights	39,112,926	986,451	-	40,099,377
<b>Structures and improvements:</b>					
103165	Land improvement	294,294	33,572	-	327,866
103210	Collecting and impounding reservoirs	19,645,728	-	-	19,645,728
103215	Lake, river and other intakes	21,157,275	-	-	21,157,275
103220	Infiltration galleries and tunnels	182,665	-	-	182,665
103225	Other water sources	1,981,662	-	-	1,981,662
103230	Power and pumping	15,262,336	79,802	-	15,342,138
103235	Purification building	35,886,276	1,340,359	-	37,226,635
103240	Distribution reservoirs and standpipes	74,072,790	1,353	-	74,074,143
103245	Office	24,558,748	20,558	-	24,579,306
103250	Stores, shop and garage	4,978,807	5,115	-	4,983,922
103255	Miscellaneous	21,192,755	1,781,973	-	22,974,728
	Total structures and improvements	219,213,336	3,262,732	-	222,476,068

<b>Accumulated Depreciation</b>				<b>Net Balance</b>
<b>Balance as of December 31, 2020</b>	<b>Depreciation</b>	<b>Retirements</b>	<b>Balance as of December 31, 2021</b>	<b>as of December 31, 2021</b>
\$ -	\$ -	\$ -	\$ -	\$ 3,280,022
-	-	-	-	1,188,285
-	-	-	-	6,455,092
-	-	-	-	2,638,278
-	-	-	-	65,724
-	-	-	-	734,720
-	-	-	-	5,626,885
-	-	-	-	3,377,963
-	-	-	-	4,163,445
-	-	-	-	744,648
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,824,315</u>
-	-	-	-	40,099,377
32,736	22,750	-	55,486	272,380
10,867,342	682,453	-	11,549,795	8,095,933
5,348,054	273,180	-	5,621,234	15,536,041
137,544	753	-	138,297	44,368
781,779	57,530	-	839,309	1,142,353
8,975,674	420,645	-	9,396,319	5,945,819
21,796,347	1,243,223	-	23,039,570	14,187,065
29,663,443	1,444,236	-	31,107,679	42,966,464
14,505,693	760,560	-	15,266,253	9,313,053
3,153,566	133,946	-	3,287,512	1,696,410
<u>10,921,352</u>	<u>823,738</u>	<u>-</u>	<u>11,745,090</u>	<u>11,229,638</u>
106,183,530	5,863,014	-	112,046,544	110,429,524

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**SCHEDULE OF CHANGES IN UTILITY PLANT ASSETS (CONT'D)**  
**For the year ended 2021**

Account Reference	Asset Account				
	Balance as of December 31, 2020	Plant Additions	Plant Retirements	Balance as of December 31, 2021	
	Equipment:				
103310	\$ -	\$ -	\$ -	\$ -	
103315	421,661	-	-	421,661	
103320	-	-	-	-	
103323	37,315,787	920,009	(4,472)	38,231,324	
103325	3,655	-	-	3,655	
103327	1,090,362	-	-	1,090,362	
103330	25,654,662	-	(52,468)	25,602,194	
103332	32,897,818	458,139	(4,158)	33,351,799	
103333	19,144,629	-	-	19,144,629	
103335	135,226,158	1,023,417	(5,651)	136,243,924	
103340	6,813	-	-	6,813	
103345	166,859,195	671,903	-	167,531,098	
103350	343,608,249	15,756,240	(6,869)	359,357,620	
103355	93,696,856	3,040,723	-	96,737,579	
103360	47,360,406	454,515	(10,205)	47,804,716	
103365	31,165,264	663,387	-	31,828,651	
103370	45,768,673	635,631	(376,309)	46,027,995	
103375	16,497,602	2,282,314	(238,384)	18,541,532	
103380	6,478	-	-	6,478	
103383	76,187	9,074	-	85,261	
103385	2,001,945	-	(68,020)	1,933,925	
103387	13,198,253	631,822	(1,074,104)	12,755,971	
103390	6,482,152	13,009	(7,226)	6,487,935	
103393	12,589,581	352,148	(193,722)	12,748,007	
103395	19,794	-	(3,218)	16,576	
	Utility plant not in service	-	-	-	
	Total equipment	<u>1,031,092,181</u>	<u>26,912,331</u>	<u>(2,044,806)</u>	<u>1,055,959,706</u>
	Total utility plant in service	1,289,418,443	31,161,514	(2,044,806)	1,318,535,151
	Construction in progress	<u>115,235,584</u>	<u>25,413,387</u>	<u>-</u>	<u>140,648,971</u>
	Total utility plant	<u>\$ 1,404,654,027</u>	<u>\$ 56,574,901</u>	<u>\$ (2,044,806)</u>	<u>\$ 1,459,184,122</u>

<b>Accumulated Depreciation</b>				<b>Net Balance</b>
<b>Balance as of December 31, 2020</b>	<b>Depreciation</b>	<b>Retirements</b>	<b>Balance as of December 31, 2021</b>	<b>as of December 31, 2021</b>
\$ -	\$ -	\$ -	\$ -	\$ -
218,923	18,013	-	236,936	184,725
-	-	-	-	-
16,436,069	1,303,895	(4,472)	17,735,492	20,495,832
974	146	-	1,120	2,535
344,804	45,581	-	390,385	699,977
11,826,016	547,145	(48,368)	12,324,793	13,277,401
17,545,787	615,088	(2,178)	18,158,697	15,193,102
6,250,296	440,758	-	6,691,054	12,453,575
31,123,847	3,033,654	(2,430)	34,155,071	102,088,853
4,417	80	-	4,497	2,316
30,771,684	1,684,232	-	32,455,916	135,075,182
117,004,136	5,048,504	(6,869)	122,045,771	237,311,849
24,392,511	1,983,200	-	26,375,711	70,361,868
14,332,750	2,398,873	(10,205)	16,721,418	31,083,298
11,591,892	622,290	-	12,214,182	19,614,469
25,945,395	4,145,324	(372,436)	29,718,283	16,309,712
10,814,336	1,376,111	(190,769)	11,999,678	6,541,854
4,839	357	-	5,196	1,282
41,186	9,380	-	50,566	34,695
1,509,863	92,857	(68,020)	1,534,700	399,225
8,573,711	1,140,122	(1,036,472)	8,677,361	4,078,610
4,880,883	337,180	(7,226)	5,210,837	1,277,098
7,438,588	773,064	(188,404)	8,023,248	4,724,759
19,794	-	(3,216)	16,577	(1)
-	-	-	-	-
<u>341,072,701</u>	<u>25,615,854</u>	<u>(1,941,068)</u>	<u>364,747,489</u>	<u>691,212,216</u>
447,256,231	31,478,868	(1,941,068)	476,794,031	841,741,117
-	-	-	-	140,648,971
<u>\$ 447,256,231</u>	<u>\$ 31,478,868</u>	<u>\$ (1,941,068)</u>	<u>\$ 476,794,031</u>	<u>\$ 982,390,091</u>

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**SCHEDULES OF OPERATING EXPENSES**  
**For the years ended 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Operations:		
Sources of supply other	\$ 963,525	\$ 1,135,350
Power and pumping	11,761,722	10,407,227
Purification	12,635,400	13,275,348
Transmission and distribution	10,414,852	10,387,901
Customer's accounting and collection	13,948,057	13,994,503
Administrative and general	23,998,730	26,561,298
Payroll taxes	2,861,054	2,987,037
License fees - Birmingham	2,041,729	2,175,244
License fees - other	<u>2,428,050</u>	<u>2,467,412</u>
 Total operations	 81,053,119	 83,391,320
Maintenance:		
Source of supply	470,192	490,154
Power and pumping	2,536,383	2,583,384
Purification	1,122,775	1,093,463
Transmission and distribution	14,016,159	13,831,962
Administrative and general	<u>4,487,299</u>	<u>4,254,432</u>
 Total maintenance	 <u>22,632,808</u>	 <u>22,253,395</u>
 Depreciation expense	 <u>31,478,871</u>	 <u>31,160,197</u>
 Total operating expenses	 <u>\$ 135,164,798</u>	 <u>\$ 136,804,912</u>

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**SCHEDULES OF NONOPERATING REVENUES (EXPENSES)**  
**For the years ended 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Other income:		
Intergovernmental revenue	\$ -	\$ 674,741
Investment interest income	1,082,255	2,733,871
Other interest income	17,859	10,282
Commissions and other	1,217,221	159,830
(Loss) Gain on disposal of property	<u>81,321</u>	<u>(1,513,329)</u>
Total other income	<u>2,398,656</u>	<u>2,065,395</u>
Interest expense:		
Interest on long-term debt and long-term obligations due To the City of Birmingham, including amortization of accounting loss on advance refunding and original issue discount	(38,320,488)	(37,035,766)
Interest paid on customers' guarantee deposits	<u>(5,162)</u>	<u>(4,819)</u>
Total interest expense	<u>(38,325,650)</u>	<u>(37,040,585)</u>
Total nonoperating revenues (expenses)	<u>\$ (35,926,994)</u>	<u>\$ (34,975,190)</u>

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**SCHEDULE OF AMOUNTS ON DEPOSIT WITH TRUSTEE BY FUND**  
**December 31, 2021**

<u>Fund Type</u>	<u>Fair Market Value</u>	<u>Accrued Interest</u>	<u>Carrying Value</u>
Revenue funds	\$ 134,831,464	\$ 331	\$ 134,831,795
Debt service funds	45,272,513	-	45,272,513
Debt service reserve funds	2,949,028	64,341	3,013,369
Development, renewal and replacement funds	<u>1,264,906</u>	<u>5,128</u>	<u>1,270,034</u>
	<u>\$ 184,317,911</u>	<u>\$ 69,800</u>	<u>\$ 184,387,711</u>



**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**SCHEDULE OF REVENUE BOND COVERAGE**  
**(UNAUDITED)**  
**For the year ended 2021**

Fiscal Year	Total Revenue <sup>(1)</sup>	Total Operating Expenses <sup>(2)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements			
				Senior	Subordinate	Coverage Senior	Coverage Senior & Subordinate
2021	\$ 194,977,034	\$ 103,685,916	\$ 91,291,118	\$ 46,257,423	\$ 19,792,934	1.97	1.38
2020	201,856,811	105,644,715	96,212,096	40,161,795	19,794,991	2.40	1.60
2019	203,963,970	104,227,780	99,736,190	44,684,801	19,812,050	2.23	1.55
2018	186,057,787	96,632,281	89,425,506	41,862,307	19,794,224	2.14	1.45
2017	169,689,545	87,918,012	81,771,533	40,042,220	13,645,969	2.04	1.52
2016	174,865,999	95,516,423	79,349,576	43,189,830	22,311,628	1.84	1.21
2015	166,856,191	98,835,582	68,020,609	38,493,840	22,274,800	1.77	1.12
2014	164,734,752	87,677,646	77,057,106	39,951,783	22,249,066	1.93	1.24
2013	155,060,528	90,408,804	64,651,724	35,238,356	21,906,396	1.83	1.13
2012	155,628,405	88,565,454	67,062,951	34,158,265	21,831,878	1.96	1.20
2011	152,962,503	87,985,079	64,977,424	22,243,271	22,974,980	2.92	1.44

(1) Operating revenues and interest income on funds *minus* interest income on construction funds, *minus* impact/system development fees and *plus* losses on sale/disposition of assets.

(2) Excludes, depreciation, amortization and interest.

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
SCHEDULE OF MAJOR INDUSTRIAL/GOVERNMENTAL CUSTOMERS  
(UNAUDITED)**

**For the year ended December 31, 2021**

<b>Customer</b>	<b>Revenues</b>	<b>% Total of Operating Revenue</b>
University of Alabama at Birmingham	\$ 4,114,310	2.11%
US Steel	2,966,372	1.52%
ERP Compliant Coke	1,580,498	0.81%
Birmingham Housing Authority	1,284,540	0.66%
ACIPCO	941,673	0.48%
Graysville Water Co.	925,902	0.47%
Tenet Healthcare	836,430	0.43%
St. Vincent's Hospital	788,315	0.40%
Buffalo Rock Co.	727,752	0.37%
Town of Mulga	<u>604,491</u>	<u>0.31%</u>
	<u>\$ 14,770,283</u>	<u>7.57%</u>

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**SCHEDULE OF INSURANCE POLICIES**  
**(UNAUDITED)**

**Coverage Period November 1, 2020 to November 1, 2021**

<u>Type of Coverage</u>	<u>Policy No.</u>	<u>Deductible</u>	<u>Policy Limits</u>
<b>Property:</b>			
Primary property (TIV - \$535,590,398):	B0621TBWWB000120	\$250,000	\$50,000,000
Dams and structures		250,000	50,000,000
Flood and earthquake		250,000	50,000,000
Equipment breakdown coverage		250,000	50,000,000
Contractors' equipment		10,000	5,000,000
Accounts receivable		500	5,000,000
Contingent business income (named)		24 Hours	10,000,000
Contingent business income (unnamed)			5,000,000
Auto physical damage (No over the road coverage)		5,000	5,000,000
Excess property (Excludes Flood/Earthquake)	NHT915451	50M	(TIV) 507,827,387
<b>Primary Liability:</b>			
	2902066-03		
General liability		100,000	10,000,000
Public Officials liability		100,000	10,000,000
Employment practice liability		100,000	10,000,000
Employee benefit liability		100,000	10,000,000
Automobile liability		100,000	10,000,000
Uninsured/Underinsured motorist		50,000	250,000
Hired and non-owned liability		50,000	10,000,000
<b>Excess Liability</b>	0310-4017	\$10,000,000	\$10,000,000
<b>Pollution</b>	PEC002469905	250,000	\$5,000,000
<b>Fiduciary</b>	SFD31210958-02	\$25,000	\$3,000,000
<b>Commercial Crime</b>			
	BGOV-45002707-22		
Employee theft		25,000	1,000,000
Forgery or Alteration		25,000	1,000,000
- Credit, Debit or Charge Cards		1,000	1,000,000
Inside premises - theft of money/securities		25,000	1,000,000
Inside premises - robbery/burglary		25,000	1,000,000
Outside premises		25,000	1,000,000
Computer and funds transfer fraud		25,000	1,000,000
Money orders and counterfeit money		25,000	1,000,000
<b>Cyber</b>	B062PTHEW000320	55,000	10,000,000
<b>Specific Excess Worker Compensation and Workers Comp Liability</b>	SP 4063998	500,000	Statutory \$2,000,000

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**SCHEDULE OF OPERATION STATISTICS**  
**(UNAUDITED)**

**For the year ended December 31,**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Number of customers	199,569	195,212	193,530	192,429	192,636	190,758
Miles of Mains in Service	4,114	4,095	4,060	4,052	4,025	4,012
Number of Fire Hydrants	12,268	13,032	13,894	12,805	13,688	13,681
Capacity of storage (in thousand gallons)	75,172	75,172	75,172	75,172	75,172	75,172
Water delivered to the distribution system (in billion gallons)	42.0	41.4	40.5	38.8	37.1	38.9
Single day, peak day demand (in million gallons)	134.9	131.1	138.5	125.3	115.6	131.2

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

To the Board of Directors of  
The Water Works Board of the City of Birmingham  
Birmingham, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the business-type activities of the Water Works Board of the City of Birmingham ("the Board"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated June 29, 2021. Our report includes a reference to other auditors who audited the financial statements of the Retirement Plan for Employees of the Water Works Board of the City of Birmingham and the Other Post Employment Benefit Plan of the Water Works Board of the City of Birmingham ("the Plans") as described in our report on the Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Plans were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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



To the Board of Directors of  
The Water Works Board of the City of Birmingham  
Birmingham, Alabama  
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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Birmingham, Alabama  
June 30, 2022

*Banks, Finley White & Co.*