

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

**FINANCIAL STATEMENTS
AND OTHER INFORMATION**

December 31, 2019

With Independent Auditor's Report

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

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
Management's Discussion and Analysis - Unaudited	4-8
 BASIC FINANCIAL STATEMENTS	
Statements of Net Position - Enterprise Fund	9-10
Statements of Revenues, Expenses and Changes in Net Position - Enterprise Fund	11
Statements of Cash Flows - Enterprise Fund	12-13
Statements of Pension Net Position - Pension Trust Fund	14
Statements of Changes in Pension Net Position - Pension Trust Fund	15
Statements of Plan Net Position - OPEB Trust Fund	16
Statements of Changes in Plan Net Position - OPEB Trust Fund	17
Notes to the Financial Statements	18-51
 REQUIRED SUPPLEMENTARY INFORMATION	
Schedules of Changes in Net Pension Liability and Related Ratios	52
Schedule of Employer Contributions	53
Schedules of Changes in Net OPEB Liability and Related Ratios	54
Schedule of Employer Contributions	55
 ADDITIONAL INFORMATION	
Schedule of Long-Term Debt	56-63
Schedule of Changes in Utility Plant Assets	64-65
Schedules of Operating Expenses	66
Schedules of Nonoperating Revenues (Expenses)	67
Schedule of Amounts on Deposit with Trustee by Fund	68
Schedule of Major Industrial/Governmental Customers (Unaudited)	69
Schedule of Insurance Policies (Unaudited)	70
 REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	 71-72

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

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, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.



To the Board of Directors of
The Water Works Board of the City of Birmingham
Birmingham, Alabama
Page 2

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Board, as of December 31, 2019 and 2018 and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in net pension liability and employer contributions, and the schedules of OPEB funding progress, net OPEB obligation, and employer contributions on pages 4 thru 8 and 52 thru 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We, 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.



To the Board of Directors of
The Water Works Board of the City of Birmingham
Birmingham, Alabama
Page 3

Other Information

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, and 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, and 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.

The schedule of major industrial/governmental customers and schedule of insurance policies have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2020, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Banks, Finley White & Co.

Birmingham, Alabama
July 7, 2020



THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED December 31, 2019

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, 2019. Please read it in conjunction with the financial statements, which follow this section:

Financial Highlights for 2019

- The assets and deferred outflows of resources of the Board exceed its liabilities and deferred inflows of resources for the fiscal year 2019 by \$109.6 million. Of this amount, \$108.7 million may be used to meet the Board's ongoing obligations to customers and creditors.
- Total operating revenues increased 9.61% primarily due to increased residential and commercial customer water sales and recognizing a full year of Sewer and Collection fees for Jefferson County, Alabama.
- Total operating expenses increased 7.55% primarily due to an increase in OPEB expense.
- Nonoperating expenses decreased 9.05% primarily due to an increase in interest income and a decrease in interest expenses resulting from the 2019 water revenue bond refunding.

Overview of the Financial Statements

The Financial Statements 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.

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 Pension Net Position Pension Trust Fund and the Statement of Plan 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, 2019

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

	2019	2018	2017	2019-2018 Change	2018-2017 Change
Current and other assets	\$ 63,858,650	\$ 39,255,997	\$ 45,924,822	\$ 24,602,653	\$ (6,668,825)
Trusted funds	240,491,306	274,272,369	188,083,731	(33,781,063)	86,188,638
Utility plant, net	<u>931,087,179</u>	<u>915,531,889</u>	<u>887,102,080</u>	<u>15,555,290</u>	<u>28,429,809</u>
Total assets	<u>\$ 1,235,437,135</u>	<u>\$ 1,229,060,255</u>	<u>\$ 1,121,110,633</u>	<u>\$ 6,376,880</u>	<u>\$ 107,949,622</u>
Total deferred outflow of resources	<u>\$ 71,679,643</u>	<u>\$ 66,786,523</u>	<u>\$ 62,279,852</u>	<u>\$ 4,893,120</u>	<u>\$ 4,506,671</u>
Current and other liabilities	\$ 64,591,361	\$ 70,325,951	\$ 61,722,282	\$ (5,734,590)	\$ 8,603,669
Long-term liabilities	<u>1,121,927,041</u>	<u>1,147,172,950</u>	<u>1,061,674,124</u>	<u>(25,245,909)</u>	<u>85,498,826</u>
Total liabilities	<u>\$ 1,186,518,402</u>	<u>\$ 1,217,498,901</u>	<u>\$ 1,123,396,406</u>	<u>\$ (30,980,499)</u>	<u>\$ 94,102,495</u>
Total deferred inflow of resources	<u>\$ 11,030,121</u>	<u>\$ 7,392,798</u>	<u>\$ 15,197,787</u>	<u>\$ 3,637,323</u>	<u>\$ (7,804,989)</u>
Net investment in capital assets	\$ 56,088,199	\$ 86,033,552	\$ 29,084,018	\$ (29,945,353)	\$ 56,949,534
Restricted	162,177,755	155,965,964	167,352,702	6,211,791	(11,386,738)
Unrestricted	<u>(108,697,705)</u>	<u>(171,044,447)</u>	<u>(151,640,431)</u>	<u>62,346,742</u>	<u>(19,404,016)</u>
Total net position	<u>\$ 109,568,249</u>	<u>\$ 70,955,069</u>	<u>\$ 44,796,289</u>	<u>\$ 38,613,180</u>	<u>\$ 26,158,780</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
December 31, 2019

As shown in Table A-1, net position increased \$38.6 million from fiscal 2018. Factors contributing to this change include an increase in current assets of \$24.6 million. Trusteed funds decreased \$33.8 million and net utility plant increased \$15.6 million from continued capital construction programs. Total assets increased \$6.4 million. Deferred outflows increased \$4.9 million, primarily resulting from the 2019 water revenue bond refunding and the OPEB liability. Total current and other liabilities decreased \$5.7 million, primarily due to a decrease in accrued interest resulting from the 2019 water revenue bond refunding. Total liabilities decreased \$31.0 million in 2019. Deferred inflows increased \$3.6 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

	2019	2018	2017	2019-2018 Change	2018-2017 Change
Water revenue	\$ 183,999,147	\$ 173,072,197	\$ 164,933,088	\$ 10,926,950	\$ 8,139,109
Other operating revenue	<u>17,971,153</u>	<u>11,192,907</u>	<u>3,009,777</u>	<u>6,778,246</u>	<u>8,183,130</u>
Total operating revenue	201,970,300	184,265,104	167,942,865	17,705,196	16,322,239
Other income, primarily interest	<u>5,365,772</u>	<u>3,623,488</u>	<u>2,743,436</u>	<u>1,742,284</u>	<u>880,052</u>
Total revenues	207,336,072	187,888,592	170,686,301	19,447,480	17,202,291
Water and sewer service expenses	99,369,474	92,326,665	83,444,306	7,042,809	8,882,359
License fees paid to municipalities	<u>4,555,422</u>	<u>4,305,610</u>	<u>4,473,709</u>	<u>249,812</u>	<u>(168,099)</u>
Total operating expenses	<u>103,924,896</u>	<u>96,632,275</u>	<u>87,918,015</u>	<u>7,292,621</u>	<u>8,714,260</u>
Depreciation	30,862,083	29,780,881	27,992,891	1,081,202	1,787,990
Other expenses, primarily interest on debt	<u>39,470,024</u>	<u>41,123,159</u>	<u>40,251,054</u>	<u>(1,653,135)</u>	<u>872,105</u>
Total expenses	<u>174,257,003</u>	<u>167,536,315</u>	<u>156,161,960</u>	<u>6,720,688</u>	<u>11,374,355</u>
Gain (loss) before contributions	33,079,069	20,352,277	14,524,339	12,726,792	5,827,938
Capital contributions	<u>5,534,102</u>	<u>5,806,521</u>	<u>4,843,679</u>	<u>(272,419)</u>	<u>962,842</u>
Change in net position	38,613,171	26,158,798	19,368,018	12,454,373	6,790,780
Net position at beginning of the year	<u>70,955,076</u>	<u>44,796,283</u>	<u>25,428,265</u>	<u>26,158,793</u>	<u>19,368,018</u>
Net position at end of the year	<u>\$ 109,568,247</u>	<u>\$ 70,955,081</u>	<u>\$ 44,796,283</u>	<u>\$ 38,613,166</u>	<u>\$ 26,158,798</u>

With total operating and nonoperating revenues of \$207.3 million and capital contributions of \$5.5 million amounting to \$212.9 million and expenses of \$174.3 million, the Board's net position increased \$38.6 million in 2019 to \$109.6 million.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
December 31, 2019

Financial Operations Summary

Utility Plant

The Board's utility plant increased by \$43.2 million during 2019. 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 \$1,354.4 million and \$1,311.1 million for December 31, 2019 and 2018, respectively. Changes in utility plant (before accumulated depreciation) are displayed in the table below. At December 31, 2019, commitments for capital expenditures totaled approximately \$14.3 million.

Changes in Utility Plant
Year-to-Year Comparison

Utility Plant	2019	2018	2017	2019-2018 Change	2018-2017 Change
Land and land rights	\$ 38,026,611	\$ 37,776,995	\$ 37,600,929	\$ 249,616	\$ 176,066
Construction-in-progress	83,104,840	63,932,892	61,823,796	19,171,948	2,109,096
Structures and improvements	213,223,210	209,778,611	206,719,859	3,444,599	3,058,752
Pumping equipment	38,192,156	35,456,160	34,773,047	2,735,996	683,113
Transmission and distribution mains	500,993,843	489,809,564	465,445,602	11,184,279	24,363,962
Equipment and other utility plant	<u>480,810,465</u>	<u>474,381,623</u>	<u>455,971,583</u>	<u>6,428,842</u>	<u>18,410,040</u>
	<u>\$ 1,354,351,125</u>	<u>\$ 1,311,135,845</u>	<u>\$ 1,262,334,816</u>	<u>\$ 43,215,280</u>	<u>\$ 48,801,029</u>

Debt Administration

A summary of changes in debt obligations from 2019 to 2018, is presented as follows:

Changes in Debt
Year-to-Year Comparison

Utility Plant	2019	2018	2017	2019-2018 Change	2018-2017 Change
Long-term debt	\$ 1,049,675,118	\$ 1,075,871,345	\$ 1,002,915,462	\$ (26,196,227)	\$ 72,955,883
Current maturities of long-term debt	<u>24,565,000</u>	<u>21,275,000</u>	<u>20,495,000</u>	<u>3,290,000</u>	<u>780,000</u>
Total debt obligations	<u>\$ 1,074,240,118</u>	<u>\$ 1,097,146,345</u>	<u>\$ 1,023,410,462</u>	<u>\$ (22,906,227)</u>	<u>\$ 73,735,883</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, 2019 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 1.60 in 2019.

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
December 31, 2019**

Investment Portfolio

Trusted fund balances at December 31, 2019 decreased by \$33.8 million from the end of 2018. 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
STATEMENTS OF NET POSITION
ENTERPRISE FUND
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 30,868,582	\$ 5,918,927
Customer accounts receivable, net of allowance for doubtful accounts of \$2,983,970 and \$3,409,340 in 2019 and 2018, respectively	18,232,200	16,419,177
Unbilled water revenue	6,644,668	7,345,799
Other receivables	1,874,232	2,946,204
Materials and supplies	3,894,028	4,460,051
Prepaid expenses	<u>2,344,940</u>	<u>2,127,098</u>
Total current assets	63,858,650	39,217,256
Noncurrent assets:		
Net OPEB asset	-	38,735
Trusted (restricted) fund assets:		
Cash and cash equivalents	151,247,052	100,564,536
Investments	89,007,823	173,446,922
Interest accrued on securities	<u>236,431</u>	<u>260,913</u>
Total trusted fund assets	<u>240,491,306</u>	<u>274,272,371</u>
Utility plant:		
Utility plant in service	1,271,246,285	1,247,202,953
Construction-in-progress	<u>83,104,840</u>	<u>63,932,892</u>
	1,354,351,125	1,311,135,845
Less accumulated depreciation	<u>(423,263,946)</u>	<u>(395,603,953)</u>
Net utility plant	931,087,179	915,531,892
Total noncurrent assets	<u>1,171,578,485</u>	<u>1,189,842,998</u>
Total assets	<u>1,235,437,135</u>	<u>1,229,060,254</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refundings of debt	52,703,264	49,657,538
Deferred outflow related to pension	16,493,373	17,128,986
Deferred outflow related to OPEB	<u>2,483,006</u>	<u>-</u>
Total deferred outflows of resources	<u>71,679,643</u>	<u>66,786,524</u>
Total assets and deferred outflows of resources	<u>\$1,307,116,772</u>	<u>\$1,295,846,772</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
STATEMENTS OF NET POSITION (CONT'D)
ENTERPRISE FUND
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
LIABILITIES		
Current liabilities:		
Accounts payable, including contract retentions	\$ 18,190,243	\$ 22,345,202
General taxes payable	1,080,575	961,000
Accrued expenses	4,919,746	4,737,461
Current maturities of long-term obligations	<u>24,565,000</u>	<u>21,275,000</u>
	48,755,564	49,318,663
 Current liabilities payable from restricted assets:		
Interest accrued on long-term obligations	<u>15,835,797</u>	<u>21,007,285</u>
Total current liabilities	<u>64,591,361</u>	<u>70,325,948</u>
 Noncurrent liabilities:		
Long-term obligations, net of current maturities	1,049,675,118	1,075,871,345
Customer guarantee deposits	14,010,385	13,800,467
Customer advances for construction	1,173,244	1,060,952
Net pension liability	54,394,852	56,440,186
Net OPEB liability	<u>2,673,442</u>	<u>-</u>
Total noncurrent liabilities	<u>1,121,927,041</u>	<u>1,147,172,950</u>
 Total liabilities	<u>1,186,518,402</u>	<u>1,217,498,898</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred inflow of resources related to pension	7,019,625	1,381,558
Deferred inflow of resources related to OPEB	<u>4,010,496</u>	<u>6,011,240</u>
 Total deferred inflows of resources	<u>11,030,121</u>	<u>7,392,798</u>
 NET POSITION		
Invested in capital assets, net of related debt	56,088,199	86,033,552
Restricted for debt service	162,177,755	155,965,964
Unrestricted	<u>(108,697,705)</u>	<u>(171,044,440)</u>
Total net position	<u>109,568,249</u>	<u>70,955,076</u>
Total liabilities, deferred inflows of resources and net position	<u>\$1,307,116,772</u>	<u>\$1,295,846,772</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
ENTERPRISE FUND
For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Sale of water:		
Residential	\$ 102,892,210	\$ 95,425,449
Commercial	61,106,701	58,021,104
Industrial	1,566,917	1,509,069
Other water utilities	3,398,001	3,376,347
Municipal	5,393,745	5,167,665
Public and private fire protection	5,499,871	4,954,459
Raw water	<u>4,141,702</u>	<u>4,618,105</u>
Total sale of water	183,999,147	173,072,198
 Rent from utility properties	 394,329	 369,463
Sewer billing and collection fee	14,138,735	7,739,020
Other operating revenue	<u>3,438,089</u>	<u>3,084,424</u>
Total operating revenues	201,970,300	184,265,105
 OPERATING EXPENSES		
Source of supply	1,647,588	1,524,795
Power and pumping	13,595,978	12,750,549
Purification	13,641,574	12,553,926
Transmission and distribution	23,428,274	22,514,662
Customer accounting and collection	12,170,847	13,922,282
Administrative and general	34,885,213	29,060,457
License fees paid to the City of Birmingham	2,208,956	2,093,484
License fees paid to other municipalities	<u>2,346,466</u>	<u>2,212,126</u>
Total operating expenses, excluding depreciation	103,924,896	96,632,281
Depreciation	<u>30,862,083</u>	<u>29,780,880</u>
	<u>134,786,979</u>	<u>126,413,161</u>
Operating income	67,183,321	57,851,944
 Nonoperating revenues (expenses):		
Other income, primarily interest	5,365,772	3,623,487
Interest expense	<u>(39,470,024)</u>	<u>(41,123,159)</u>
Total nonoperating expenses	<u>(34,104,252)</u>	<u>(37,499,672)</u>
Gain before contributions	33,079,069	20,352,272
Capital contributions	<u>5,534,102</u>	<u>5,806,521</u>
Change in net position	38,613,171	26,158,793
 Net position at beginning of the year	 <u>70,955,076</u>	 <u>44,796,283</u>
Net position at end of the year	<u>\$ 109,568,247</u>	<u>\$ 70,955,076</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
STATEMENTS OF CASH FLOWS
ENTERPRISE FUND
For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from potable water customers	\$ 178,924,341	\$ 160,599,484
Cash received from raw water customers	3,962,912	4,641,821
Cash received from rent of utility properties	394,329	369,463
Cash received from other operating revenues	19,570,398	13,852,946
Cash received for agency agreements	195,649,423	191,950,975
Cash payments for agency agreements	(181,661,831)	(195,265,678)
Payments to suppliers	(85,376,162)	(52,655,125)
Payments to employees	<u>(31,380,746)</u>	<u>(35,091,559)</u>
Net cash provided by operating activities	100,082,664	88,402,327
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(43,215,284)	(48,801,026)
Proceeds from asset disposition	(3,444,535)	(9,760,766)
Contributed capital for construction	5,534,102	5,806,511
Customer advances for construction	112,292	609,313
Proceeds from bond offering	336,380,000	86,815,000
Payment on long-term debt	(322,655,000)	(20,495,000)
Interest paid on debt	<u>(86,795,890)</u>	<u>(30,966,454)</u>
Net cash used in capital and related financing activities	(114,084,315)	(16,792,422)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(743,351,012)	(698,463,459)
Proceeds from sale and maturities of investment securities	777,107,580	612,186,524
Interest on investments	<u>5,194,728</u>	<u>3,215,658</u>
Net cash provided by (used by) investing activities	<u>38,951,296</u>	<u>(83,061,277)</u>
Net increase (decrease) in cash and cash equivalents	24,949,645	(11,451,372)
Cash and cash equivalents at beginning of the year	<u>5,918,927</u>	<u>17,370,299</u>
Cash and cash equivalents at end of the year	<u><u>\$ 30,868,572</u></u>	<u><u>\$ 5,918,927</u></u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
STATEMENTS OF CASH FLOWS (CONT'D)
ENTERPRISE FUND
For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 67,183,321	\$ 57,851,944
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	30,862,083	29,780,880
Provision for bad debts	(425,370)	1,987,580
Miscellaneous nonoperating expenses	432,394	842,067
Changes in operating assets and liabilities:		
Customer accounts receivable	(1,387,653)	(9,685,006)
Unbilled water revenue	701,131	(133,465)
Other receivables	1,071,972	2,058,443
Materials and supplies	566,024	1,334,295
Prepaid expenses	(217,840)	(305,646)
Net pension liability and related deferred inflows and outflows	2,227,602	3,146,864
Net OPEB asset and related deferred inflows and outflows	2,712,177	(7,498,059)
Accounts payable, including contract retentions	(4,154,956)	7,744,468
General taxes payable	119,575	54,272
Accrued expenses	182,285	(251,335)
Customer guarantee deposits	<u>209,919</u>	<u>1,475,025</u>
Net cash provided by operating activities	<u>\$ 100,082,664</u>	<u>\$ 88,402,327</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
STATEMENTS OF PENSION NET POSITION
PENSION TRUST FUND
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and cash equivalents	\$ 2,880,592	\$ 1,591,150
Investments, at market	159,230,831	133,638,024
Accrued interest and dividends receivable	<u>567,548</u>	<u>1,303,264</u>
 Total assets	 <u><u>\$ 162,678,971</u></u>	 <u><u>\$ 136,532,438</u></u>
 Liabilities and net position:		
Total liabilities	<u>\$ 50,905</u>	<u>\$ -</u>
Net position held in trust for pension benefits	<u><u>\$ 162,628,066</u></u>	<u><u>\$ 136,532,438</u></u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
STATEMENTS OF CHANGES IN PENSION NET POSITION
PENSION TRUST FUND
For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Net position held in trust for pension benefits, beginning of the year	\$ 136,532,438	\$ 147,660,113
Additions:		
Employer contributions	5,359,630	5,571,296
Employee contributions	3,043,806	2,981,025
Investment income	4,313,408	4,372,753
Net realized gain on sale of assets	4,138,148	606,550
Changes in unrealized appreciation (depreciation)	<u>21,301,031</u>	<u>(13,810,632)</u>
Total additions (deductions), net	38,156,023	(279,008)
Deductions:		
Distributions to participants	11,493,584	10,153,061
Administrative expenses	<u>566,811</u>	<u>695,606</u>
Total deductions	<u>12,060,395</u>	<u>10,848,667</u>
Net increase (decrease)	<u>26,095,628</u>	<u>(11,127,675)</u>
Total net position held in trust for pension benefits, end of the year	<u>\$ 162,628,066</u>	<u>\$ 136,532,438</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
STATEMENTS OF PLAN NET POSITION
OPEB TRUST FUND
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and cash equivalents	\$ 1,877,163	\$ 191,062
Investments, at market	30,500,462	28,353,622
Accrued interest and dividends	<u>111,868</u>	<u>212,882</u>
 Total assets	 <u><u>\$ 32,489,493</u></u>	 <u><u>\$ 28,757,566</u></u>
 Liabilities and net position:		
Total liabilities	<u>\$ 124,424</u>	<u>\$ -</u>
Net position held in trust for pension benefits	<u><u>\$ 32,365,069</u></u>	<u><u>\$ 28,757,566</u></u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
STATEMENTS OF CHANGES IN PLAN NET POSITION
OPEB TRUST FUND
For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Net position held in trust for pension benefits, beginning of the year	\$ 28,757,566	\$ 30,745,266
Additions:		
Employer contributions	760,988	2,458,406
Employee contributions	-	-
Investment income	853,651	827,347
Net realized gain on sale of assets	1,026,329	18,352
Changes in unrealized appreciation (depreciation)	<u>3,925,474</u>	<u>(2,733,208)</u>
Total additions, net	6,566,442	570,897
Deductions:		
Benefits	3,238,777	2,842,598
Premiums	(469,766)	(492,518)
Administrative expenses	<u>189,928</u>	<u>208,517</u>
Total deductions, net	<u>2,958,939</u>	<u>2,558,597</u>
Net increase (decrease)	<u>3,607,503</u>	<u>(1,987,700)</u>
Total net position held in trust for pension benefits, end of the year	<u>\$ 32,365,069</u>	<u>\$ 28,757,566</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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
December 31, 2019

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
December 31, 2019

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
December 31, 2019

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 2009-A, 2009-B, 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 Water Revenue Bonds, and the Series 2013-A and 2013-B 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
December 31, 2019

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
December 31, 2019

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

The Board adopted and implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of GASB Statement No. 88 is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 or later.

Future Accounting Pronouncements

As required by governmental accounting standards, the Board adopted and implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Borrowings and Direct Placements*. The primary objective of GASB Statement No. 88 is to improve the information that is disclosed in the notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities should be included when disclosing information related to debt and is effective for the Board for the year ended December 31, 2019. The effective date for certain provisions have been postponed by one year in light of the COVID-19 pandemic.

GASB Statement No. 84, *Fiduciary Activities*. The primary objective of GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. It is effective for the Board for the year ended December 31, 2019. However, the effective date has been postponed by 1 year in light of the COVID-19 pandemic.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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

GASB Statement No. 87, *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. It is effective for the Board for the year ended December 31, 2020. However, the effective date for certain provisions have been postponed by 18 months in light of the COVID-19 pandemic.

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. It is effective for the Board for the year ended December 31, 2020. However, the effective date for certain provisions have been postponed by one year in light of the COVID-19 pandemic.

Reclassifications

Certain amounts in the prior year (2018) financial statements have been reclassified to conform to the presentation of the current year (2019) financial statements. These reclassifications have no effect on the previously reported change in net position.

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 December 31, 2019 and 2018 totaled \$30,868,582 and \$5,918,927, respectively, and the bank balances were \$31,259,202 and \$12,441,412, 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, 2019 and 2018 are held in a qualified public depository.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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.

Disclosures

As of December 31, 2019, the Board had the following investments and maturities.

Investment Type	Market Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Trusted Fund Securities:					
US Agency Notes	\$ 67,612,439	\$ 67,612,439	\$ -	\$ -	\$ -
BB&T Money Market	98,623,704	98,623,704	-	-	-
Fixed Income Corporate					
Issues - Guaranteed					
Investment Contracts	<u>73,854,924</u>	<u></u>	<u>66,737,700</u>	<u>2,489,411</u>	<u>4,627,813</u>
	<u>\$ 240,091,067</u>	<u>\$ 166,236,143</u>	<u>\$ 66,737,700</u>	<u>\$ 2,489,411</u>	<u>\$ 4,627,813</u>

As of December 31, 2018, the Board had the following investments and maturities.

Investment Type	Market Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Trusted Fund Securities:					
US Agency Notes	\$ 18,334,400	\$ 18,334,400	\$ -	\$ -	\$ -
BB&T Money Market	197,863,667	197,863,667	-	-	-
Fixed Income Corporate					
Issues - Guaranteed					
Investment Contracts	<u>57,813,390</u>	<u>32,000,000</u>	<u>9,534,269</u>	<u>-</u>	<u>16,279,121</u>
	<u>\$ 274,011,457</u>	<u>\$ 248,198,067</u>	<u>\$ 9,534,269</u>	<u>\$ -</u>	<u>\$16,279,121</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.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 3 - INVESTMENTS (CONT'D)

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.

As of December 31, 2019, the Branch Banking & Trust Deposit was rated A by Standard and Poor's and A1 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 WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 3 - INVESTMENTS (CONT'D)

The following tables present the Board's financial assets carried at fair value by level within the valuation hierarchy as of December 31, 2019 and 2018:

	2019			
	Total	Level 1	Level 2	Level 3
Trusted Fund Securities:				
US Agency Notes	\$ 67,612,439	\$ 67,612,439	\$ -	\$ -
BB&T Money Market	98,623,704	98,623,704	-	-
Fixed Income Corporate Issues - Guaranteed Investment Contracts	<u>73,854,924</u>	<u>-</u>	<u>73,854,924</u>	<u>-</u>
	<u><u>\$ 240,091,067</u></u>	<u><u>\$ 166,236,143</u></u>	<u><u>\$ 73,854,924</u></u>	<u><u>\$ -</u></u>
	2018			
	Total	Level 1	Level 2	Level 3
Trusted Fund Securities:				
US Agency Notes	\$ 18,334,400	\$ 18,334,400	\$ -	\$ -
BB&T Money Market	197,863,667	197,863,667	-	-
Fixed Income Corporate Issues - Guaranteed Investment Contracts	<u>57,813,390</u>	<u>-</u>	<u>57,813,390</u>	<u>-</u>
	<u><u>\$ 274,011,457</u></u>	<u><u>\$ 216,198,067</u></u>	<u><u>\$ 57,813,390</u></u>	<u><u>\$ -</u></u>

NOTE 4 - UTILITY PLANT

Balances of major classes of utility plant assets and accumulated depreciation at December 31, 2019, and changes therein for the year then ended are as follows:

	Balance at December 31, 2018	Additions	Transfers	Deletions	Balance at December 31, 2019
Nondepreciable:					
Land and land rights	\$ 37,776,993	\$ 239,783	\$ 9,834	\$ -	\$ 38,026,610
Construction-in-progress	63,932,892	30,245,131	(11,073,182)	-	83,104,841
Depreciable:					
Structures and improvements	209,778,612	572,138	2,872,465	-	213,223,215
Equipment	<u>999,647,348</u>	<u>15,608,567</u>	<u>8,190,884</u>	<u>(3,450,340)</u>	<u>1,019,996,459</u>
Total utility plant in service	1,311,135,845	46,665,619	1	(3,450,340)	1,354,351,125
Less accumulated depreciation	<u>(395,603,953)</u>	<u>(30,862,083)</u>	<u>-</u>	<u>3,202,090</u>	<u>(423,263,946)</u>
Net utility plant	<u><u>\$ 915,531,892</u></u>	<u><u>\$ 15,803,536</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ (248,250)</u></u>	<u><u>\$ 931,087,179</u></u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 4 - UTILITY PLANT (CONT'D)

Balances of major classes of utility plant assets and accumulated depreciation at December 31, 2018, and changes therein for the year then ended are as follows:

	Balance at December 31, 2017	Additions	Transfers	Deletions	Balance at December 31, 2018
Nondepreciable:					
Land and land rights	\$ 37,600,927	\$ 176,066	\$ -	\$ -	\$ 37,776,993
Construction-in-progress	61,823,796	2,109,096	-	-	63,932,892
Depreciable:					
Structures and improvements	206,719,860	3,058,752	-	-	209,778,612
Equipment	<u>956,190,233</u>	<u>53,006,412</u>	<u>-</u>	<u>(9,549,297)</u>	<u>999,647,348</u>
Total utility plant in service	1,262,334,816	58,350,326	-	(9,549,297)	1,311,135,845
Less accumulated depreciation	<u>(375,232,737)</u>	<u>(29,780,874)</u>	<u>-</u>	<u>9,409,658</u>	<u>(395,603,953)</u>
Net utility plant	<u>\$ 887,102,079</u>	<u>\$ 28,569,452</u>	<u>\$ -</u>	<u>\$ (139,639)</u>	<u>\$ 915,531,892</u>

NOTE 5 - LONG-TERM OBLIGATIONS

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
December 31, 2019

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 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 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 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.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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

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 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 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.

On April 17, 2013, the Board issued \$70,785,000 of Water Revenue Bonds, Series 2013-B Bonds. The 2013-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 enhancements in safety, security, operational performance and capacity, and maintenance and replacement of system assets, 2) funding the required deposit to the Debt Service Reserve Fund, and 3) paying the costs of issuance. 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 premium of \$8,540,051. After transfer of certain funds in the Debt Service Fund of \$3,630,709 and payment of issuance costs and underwriter discounts of \$694,343, \$75,000,000 was deposited and available for capital improvements. Bonds were fully refunded as of December 31, 2019.

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.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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 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 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 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.

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.

On May 1, 2009, the Board issued \$108,305,000 of Water Revenue Bonds. The 2009-A 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 2009-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 \$1,509,234. After issuance costs, underwriter discounts and bond insurance premiums of \$2,804,904, \$6,999,431 was deposited into the Debt Reserve Fund, and the remaining \$100,000,000 was deposited into the Construction Fund. The bonds were fully refunded as of December 31, 2019.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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

On May 1, 2009, the Board issued \$46,760,000 of Water Revenue Refunding Bonds. The 2009-B Bonds were issued for the purposes of refunding the Board's outstanding Series 1998-A Warrants that mature in the years 2011 through 2019, and paying the costs of issuance of the bonds. The Series 2009-B 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 \$4,232,889. After issuance costs, underwriter discounts and bond insurance premiums of \$911,234, the remaining \$50,916,568, which included \$834,915 of the Board's debt service funds related to the refunded bonds, was deposited into an escrow fund for the 1998-A Bonds maturing in years 2011 through 2019. The bonds were fully refunded as of December 31, 2019.

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

	<u>2019</u>	<u>2018</u>
Series 2009-A Water and Sewer Revenue Bonds, issued May 1, 2009, 3.00% to 5.25% interest, due annually through 2039	\$ -	\$ 2,515,000
Series 2009-B Water Revenue Refunding Bonds, issued May 1, 2009, 5.00% interest only due annually through 2011, principal and interest due annually 2012 through 2019	-	6,975,000
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	14,130,000	86,975,000
Series 2011 Water Revenue Refunding Bonds, issued June 7, 2011, 3.00% to 5.00%, due annually through 2041	6,180,000	9,075,000
Series 2011 Subordinate Water Revenue Bonds, issued February 25, 2011, 3.00% to 5.00%, due 2014 through 2031	1,370,000	1,465,000
Series 2012-A Water Revenue Refunding Bonds, issued March 15, 2012, 2.00% to 5.00%, due annually through 2034	18,380,000	48,255,000
Series 2012 Subordinate Water Revenue Bonds, issued February 15, 2012, 2.00% to 5.00%, due 2014 through 2032	975,000	1,035,000
Series 2013-A Water Revenue Refunding Bonds, issued April 17, 2014, 2.00% to 4.00%, due annually through 2043	22,880,000	22,980,000
Series 2013-B Water Revenue Bonds, issued April 17, 2014, 5.00%, due annually 2030 through 2034	-	70,785,000
Series 2013 Subordinate Water Revenue Bonds, issued February 1, 2013, 2.00% to 5.00%, due 2014 through 2033	4,365,000	4,620,000
Series 2014 Subordinate Water Revenue Bonds, issued September 25, 2014, 2.45%, due 2016 through 2035	515,000	540,000
Series 2015-A Water Revenue Refunding Bonds, issued April 14, 2015, 3.00% to 5.00%, due 2016 through 2042	25,215,000	98,810,000
Series 2015-B Water Revenue Bonds, issued April 14, 2015, 3.00% to 5.00%, due 2016 through 2045	16,875,000	74,115,000
Series 2016-A Water Revenue Bonds, issued October 4, 2016, 4.00% to 5.00%, due 2020 through 2041	157,190,000	157,190,000
Series 2016-B Water Revenue Bonds, issued October 4, 2016, 4.00% to 5.00%, due 2023 through 2043	278,200,000	278,200,000

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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

	<u>2019</u>	<u>2018</u>
Series 2016-C Water Revenue Bonds, issued October 4, 2016, 1.03% to 2.39%, due 2017 through 2023	20,710,000	26,105,000
Series 2018 Water Revenue Bonds, issued November 7, 2018, 5% due 2020 through 2039	86,815,000	86,815,000
Series 2019 Water Revenue Bonds, issued November 5, 2019, 1.925% to 3.573 % due 2020 through 2045	<u>336,380,000</u>	<u>-</u>
Total long-term debt	990,180,000	976,455,000
Unamortized premium	<u>84,060,118</u>	<u>120,691,345</u>
Long-term obligations	<u>1,074,240,118</u>	<u>1,097,146,345</u>
Less current portion	<u>(24,565,000)</u>	<u>(21,275,000)</u>
Long-term obligations - net	<u><u>\$1,049,675,118</u></u>	<u><u>\$1,075,871,345</u></u>

Activity during 2019 related to long-term debt principal obligations is as follows:

	Balance at 12/31/18	Additions	Payments	Balance at 12/31/19	Due Within One Year
Water Works Board Series 2009-A	\$ 2,515,000	\$ -	\$ (2,515,000)	\$ -	\$ -
Water Works Board Series 2009-B	6,975,000	-	(6,975,000)	-	-
Water Works Board Series 2010-A	86,975,000	-	(72,845,000)	14,130,000	6,890,000
Water Works Board Series 2011	9,075,000	-	(2,895,000)	6,180,000	3,015,000
Water Works Board Subordinate Series 2011	1,465,000	-	(95,000)	1,370,000	95,000
Water Works Board Series 2012-A	48,255,000	-	(29,875,000)	18,380,000	2,280,000
Water Works Board Subordinate Series 2012	1,035,000	-	(60,000)	975,000	65,000
Water Works Board Series 2013-A	22,980,000	-	(100,000)	22,880,000	100,000
Water Works Board Series 2013-B	70,785,000	-	(70,785,000)	-	-
Water Works Board Subordinate Series 2013	4,620,000	-	(255,000)	4,365,000	260,000
Water Works Board Subordinate Series 2014	540,000	-	(25,000)	515,000	25,000
Water Works Board Series 2015-A	98,810,000	-	(73,595,000)	25,215,000	505,000
Water Works Board Series 2015-B	74,115,000	-	(57,240,000)	16,875,000	735,000
Water Works Board Series 2016-A	157,190,000	-	-	157,190,000	2,365,000
Water Works Board Series 2016-B	278,200,000	-	-	278,200,000	-
Water Works Board Series 2016-C	26,105,000	-	(5,395,000)	20,710,000	5,470,000
Water Works Board Series 2018	86,815,000	-	-	86,815,000	1,820,000
Water Works Board Series 2019	-	336,380,000	-	336,380,000	940,000
	<u>\$ 976,455,000</u>	<u>\$ 336,380,000</u>	<u>\$ (322,655,000)</u>	<u>\$ 990,180,000</u>	<u>\$ 24,565,000</u>

Activity during 2018 related to long-term debt principal obligations is as follows:

	Balance at 12/31/17	Additions	Payments	Balance at 12/31/18	Due Within One Year
Water Works Board Series 2009-A	\$ 4,905,000	\$ -	\$ (2,390,000)	\$ 2,515,000	\$ 2,515,000
Water Works Board Series 2009-B	13,610,000	-	(6,635,000)	6,975,000	6,975,000
Water Works Board Series 2010-A	86,975,000	-	-	86,975,000	-
Water Works Board Series 2010-B	-	-	-	-	-
Water Works Board Series 2011	11,860,000	-	(2,785,000)	9,075,000	2,895,000
Water Works Board Subordinate Series 2011	1,555,000	-	(90,000)	1,465,000	95,000
Water Works Board Series 2012-A	50,360,000	-	(2,105,000)	48,255,000	2,180,000
Water Works Board Subordinate Series 2012	1,095,000	-	(60,000)	1,035,000	60,000
Water Works Board Series 2013-A	23,055,000	-	(75,000)	22,980,000	100,000
Water Works Board Series 2013-B	70,785,000	-	-	70,785,000	-
Water Works Board Subordinate Series 2013	4,865,000	-	(245,000)	4,620,000	255,000
Water Works Board Subordinate Series 2014	565,000	-	(25,000)	540,000	25,000
Water Works Board Series 2015-A	99,290,000	-	(480,000)	98,810,000	495,000
Water Works Board Series 2015-B	74,415,000	-	(300,000)	74,115,000	285,000
Water Works Board Series 2016-A	157,190,000	-	-	157,190,000	-
Water Works Board Series 2016-B	278,200,000	-	-	278,200,000	-
Water Works Board Series 2016-C	31,410,000	-	(5,305,000)	26,105,000	5,395,000
Water Works Board Series 2018	-	86,815,000	-	86,815,000	-
	<u>\$ 910,135,000</u>	<u>\$ 86,815,000</u>	<u>\$ (20,495,000)</u>	<u>\$ 976,455,000</u>	<u>\$ 21,275,000</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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

The aggregate maturities of long-term debt at December 31, 2019, are as follows:

	<u>Principal</u>	<u>Interest</u>
Years ending December 31,		
2020	\$ 24,565,000	\$ 35,391,784
2021	27,535,000	38,515,356
2022	28,530,000	37,515,311
2023	29,535,000	36,515,396
2024	30,640,000	35,408,252
2025-2029	172,260,000	157,986,962
2030-2034	214,175,000	119,301,990
2035-2039	259,900,000	70,029,140
2040-2044	196,235,000	18,144,735
2045	<u>6,805,000</u>	<u>121,571</u>
	<u><u>\$ 990,180,000</u></u>	<u><u>\$ 548,930,497</u></u>

Bond Discount

The following is a schedule of original issue discount, reoffering premium and amortization per issue at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Water Works Board Series 2009-B premium	\$ -	\$ 48,873
Water Works Board Series 2010-A premium	352,180	2,574,767
Water Works Board Series 2012-A premium	254,048	719,973
Water Works Board Series 2013-A discount	(602,038)	(705,938)
Water Works Board Series 2013-B premium	-	7,510,657
Water Works Board Series 2015-A premium	2,771,133	12,779,492
Water Works Board Series 2015-B premium	1,533,361	7,653,426
Water Works Board Series 2016-A premium	23,130,095	26,780,189
Water Works Board Series 2016-B premium	46,442,966	52,195,181
Water Works Board Series 2018-B premium	<u>10,178,373</u>	<u>11,134,725</u>
Original issue discounts and premiums	<u><u>\$ 84,060,118</u></u>	<u><u>\$ 120,691,345</u></u>

Bond discounts and premiums totaling \$84,060,118 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 2007-A Water and Sewer Revenue Bonds are subject to optional redemption on or after January 1, 2017 at a redemption price equal to 100%.

The Series 2009 Subordinate Water Revenue Bonds are subject to optional redemption on or after January 1, 2019 at a redemption price equal to 100%.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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

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 2010-B Water Revenue Bonds are not subject to optional redemption.

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 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%.

Bond Refundings

The Board issued the Series 2019 Senior Water Revenue Refunding Bonds for the purpose of advance refunding a portion or all of the previously issued and outstanding Series 2010-A, 2012-A, 2013-B and 2015A&B Bonds. 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
December 31, 2019

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

The refunding in November 2019 resulted in an accounting loss of \$17,432,132 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 2029. The Board decreased its aggregate debt service by approximately \$25,248,220 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 \$18,511,620.

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 2019, and 2018, was approximately \$301,380,000 and \$0 respectively.

Bond Issue Costs

In accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, bond issue costs, other than insurance cost, are expensed in the period incurred.

NOTE 6 - TRUSTEED FUNDS - INVESTMENTS

Trusted 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 accrued interest, are as follows at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Construction funds	\$ 62,473,755	\$ 97,299,122
Debt service funds	36,857,534	53,785,966
Development, renewal and replacement funds	1,249,370	1,238,323
Revenue funds	112,281,975	89,402,168
Special acquisition funds	20,274,028	-
Debt service reserve funds	<u>7,118,213</u>	<u>32,285,879</u>
Total	<u>\$ 240,254,875</u>	<u>\$ 274,011,458</u>

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.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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

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

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, 2010-B, 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 December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Accounts payable	\$ 8,586,102	\$ 13,113,226
Agency payables	8,324,402	8,472,341
Contract retentions	890,500	574,287
Payroll deductions payable	2,975,009	2,458,549
Accrued professional fees	170,718	91,854
Workers' compensation reserve	1,984,995	2,183,997
Other payables/accruals	<u>163,908</u>	<u>188,409</u>
	<u>\$ 23,095,634</u>	<u>\$ 27,082,663</u>

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 December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Balance at beginning of the year	\$ 86,033,552	\$ 29,084,018
Change in capital assets	15,555,292	28,429,813
Change in related debt	<u>(45,500,645)</u>	<u>28,519,721</u>
Balance at end of the year	<u>\$ 56,088,199</u>	<u>\$ 86,033,552</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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.

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

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 9 - EMPLOYEE BENEFIT PLANS (CONT'D)

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.

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 2019 and 2018. 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

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 9 - EMPLOYEE BENEFIT PLANS (CONT'D)

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 2019 and 2018 were cash contributions. Administrative costs of the Plan are financed through investment earnings.

Membership Data

At December 31, 2019, the most recent measurement date of the net pension liability, membership data for the pension plan is as follows:

Retired participants and beneficiaries	330
Vested terminated participants	4
Active participants	<u>638</u>
	<u>972</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 38 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, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

<u>Net Pension Liability</u>	
Measurement Date	<u>12/31/19</u>
Total Pension Liability	\$ 217,022,918
Fiduciary Net Position	<u>162,628,066</u>
Net Pension Liability	<u>\$ 54,394,852</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	74.94%

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 9 - EMPLOYEE BENEFIT PLANS (CONT'D)

Schedule of Changes in Net Pension Liability

The Changes in Net Pension Liability Plan for the fiscal year ended December 31, 2019, 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	\$ 4,142,535	-	\$ 4,142,535
Interest on Total Pension Liability	14,352,628	-	14,352,628
Change in Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	5,629,330	-	5,629,330
Employer Contribution	-	5,359,630	(5,359,630)
Employee Contributions	-	3,043,806	(3,043,806)
Pension Plan Net Investment Income	-	29,326,115	(29,326,115)
Assumption Changes	11,419,385	-	11,419,385
Benefit Payments, including Refunds	(11,493,584)	(11,493,584)	-
Administrative Expense	-	(140,339)	140,339
Net Change	24,050,294	26,095,628	(2,045,334)
Net Pension Liability Beginning	192,972,624	136,532,438	56,440,186
Net Pension Liability Ending	<u>\$ 217,022,918</u>	<u>162,628,066</u>	<u>\$ 54,394,852</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 7.50%.

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:

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 9 - EMPLOYEE BENEFIT PLANS (CONT'D)

Sensitivity	Discount Rate		
	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
Plan's net pension liability	\$80,614,707	\$54,394,852	\$32,438,442

Pension Expense and Schedule of Deferred Outflows and Inflow of Resources

For the fiscal year ended December 31, 2019, the Board recognized pension expense of \$9,587,977. Deferred outflows of resources and deferred inflows of resources reported by the Board at December 31, 2019, are as follows:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 5,714,970	\$ 1,160,001
Changes of assumptions	10,778,403	-
Net difference between projected and actual	<u>-</u>	<u>5,859,624</u>
Total	<u>\$ 16,493,373</u>	<u>\$ 7,019,625</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at December 31, 2019 will be recognized in pension expense as follows:

<u>Years ended December 31,</u>	<u>Retirement Plan</u>
2020	\$2,109,682
2021	\$1,004,651
2022	\$2,944,705
2023	(\$1,476,294)
2024	\$2,445,502
Thereafter	\$2,445,502

[INTENTIONALLY LEFT BLANK]

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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 from 2014.</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 from 2014.</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 from 2014.</p>

The actuarial assumptions used in the December 31, 2019 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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	45%	6.4%
Core Fixed Income	30%	2.0%
Alternatives	22%	7.0%
Cash Equivalents	3%	1.2%
Total	<u>100%</u>	

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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.

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.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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

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 2019. 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, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date.

Net OPEB Liability	
Reporting Date	12/31/19
Measurement Date	12/31/18
Components of the Net OPEB Liability	
Total OPEB Liability	\$31,431,008
Plan Fiduciary Net Position	<u>28,757,566</u>
Net OPEB Liability	<u>\$ 2,673,442</u>
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	91.49%

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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

Schedule of Changes in the Net OPEB Liability

Change in Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Service Cost	\$ 588,161	-	\$ 588,161
Interest on Total Pension Liability	2,258,974	-	2,258,974
Change in Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	227,422	-	227,422
Employer Contribution	-	2,458,406	(2,458,406)
Employee Contributions	-	-	-
OPEB Plan Net Investment Income	-	(1,887,509)	1,887,509
Assumption Changes	-	-	-
Benefit Payments, including Refunds	(2,350,080)	(2,350,080)	-
Administrative Expense	-	(208,517)	208,517
Net Change	724,477	(1,987,700)	2,712,177
Net OPEB Liability Beginning	30,706,531	30,745,266	(38,735)
Net OPEB Liability Ending	<u>\$ 31,431,008</u>	<u>28,757,566</u>	<u>\$ 2,673,442</u>

Actuarial Assumptions

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

Schedule of Assumptions	OPEB Plan
Inflation	2.75%
Salary increases	3.00 - 11.00%, based on years of service
Discount rate	7.50%
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 11 years
Dental	4.00%
Administrative expenses	3.00%
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 MP2015.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	55%	6.4%
Core Fixed Income	33%	1.8%
Alternatives	10%	10.7%
Cash Equivalents	<u>2%</u>	1.1%
Total	<u>100%</u>	

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 7.50%, as well as what the NOL would be if it were calculated using a discount rate that is one-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) 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 6.50%</u>	<u>Current Rate 7.50%</u>	<u>1% Increase 8.50%</u>
Net OPEB Liability (Asset)	\$5,558,315	\$2,673,442	\$171,141

	<u>Current Health Care</u>		
	<u>1% Decrease 6.50%</u>	<u>Cost Trend Rate 7.50%</u>	<u>1% Increase 8.50%</u>
Net OPEB Liability (Asset)	\$748,231	\$2,673,442	\$4,837,946

OPEB Expense and Schedule of Deferred Outflows and Inflow of Resources

For the fiscal year ended December 31, 2019, the Board recognized OPEB expense of \$686,833. Deferred outflows of resources and deferred inflows of resources reported by the Board at December 31, 2019, are as follows:

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 202,152	\$ 1,903,104
Changes of assumptions	-	2,107,392
Net difference between projected and actual	<u>2,280,854</u>	<u>-</u>
Total	<u>\$ 2,483,006</u>	<u>\$ 4,010,496</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at December 31, 2019 will be recognized in OPEB expense as follows:

<u>Years ended December 31,</u>	<u>Retirement Plan</u>
2020	(\$66,684)
2021	(\$66,684)
2022	(\$66,684)
2023	\$290,270
2024	(\$547,659)
2025	(\$547,659)
Thereafter	(\$522,390)

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.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 12 - COMMITMENTS AND CONTINGENCIES (CONT'D)

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.

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 December 31, 2019 and 2018. The end of year accrual is included in accrued expenses in the accompanying statements of net position - enterprise fund.

	<u>2019</u>	<u>2018</u>
Beginning of the year accrual	\$ 2,183,997	\$ 2,323,614
Claims expense	6,761,534	5,698,421
Claims paid	<u>(6,960,535)</u>	<u>(5,838,038)</u>
End of the year accrual	<u>\$ 1,984,996</u>	<u>\$ 2,183,997</u>

At December 31, 2019, commitments for capital expenditures totaled approximately \$14.33 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

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 13 - AGENCY AGREEMENTS (CONT'D)

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 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 December 31, 2019:

	Sewer Charges Based on Collections	State of Alabama Utility Taxes
Amounts received/billed:		
City of Hoover	\$ 4,053,064	\$ -
SouthWest Water	7,871,195	-
Alabama Utilities/Moody	1,410,895	-
Phoenix	351,866	-
State of Alabama - utility taxes	<u>-</u>	<u>\$ 6,662,089</u>
Total amounts received	13,687,020	6,662,089
Amounts disbursed:		
City of Hoover	4,028,134	-
SouthWest Water	7,910,550	-
Alabama Utilities/Moody	1,412,840	-
Phoenix	341,619	-
State of Alabama - utility taxes	<u>-</u>	<u>6,618,208</u>
Total amounts disbursed	<u>13,693,143</u>	<u>6,618,208</u>
Receipts less disbursements	(6,123)	43,881
Balance at beginning of the year	<u>208,642</u>	<u>418,831</u>
Balance at end of the year	<u><u>\$ 202,519</u></u>	<u><u>\$ 462,712</u></u>
Cost of collecting charges billed:		
City of Hoover	<u>\$ 220,316</u>	
SouthWest Water	<u>\$ 305,574</u>	
Alabama Utilities/Moody	<u>\$ 59,354</u>	
Phoenix	<u><u>\$ 12,959</u></u>	

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 13 - AGENCY AGREEMENTS (CONT'D)

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, 2018:

	<u>Sewer Charges Based on Collections</u>	<u>State of Alabama Utility Taxes</u>
Amounts received:		
Jefferson County- Original agreement received	\$ 69,201,360	
City of Hoover	3,787,679	
SouthWest Water	7,335,923	
Alabama Utilities/Moody	1,328,083	
Phoenix	348,191	
State of Alabama - utility taxes		\$ 6,283,817
Total amounts received	<u>82,001,236</u>	<u>6,283,817</u>
Amounts disbursed:		
Jefferson County- Original agreement received	72,113,904	
City of Hoover	3,840,777	
SouthWest Water	7,407,507	
Alabama Utilities/Moody	1,326,918	
Phoenix	353,255	
State of Alabama - utility taxes		6,227,126
Total amounts disbursed	<u>85,042,361</u>	<u>6,227,126</u>
Receipts less disbursements	(3,041,125)	56,691
Balance at beginning of the year	3,249,767	362,140
Balance at end of the year	<u><u>\$ 208,642</u></u>	<u><u>\$ 418,831</u></u>
Cost of collecting charges billed:		
Jefferson County	<u>\$ 1,895,616</u>	
City of Hoover	<u>\$ 207,612</u>	
SouthWest Water	<u>\$ 295,651</u>	
Alabama Utilities/Moody	<u>\$ 55,721</u>	
Phoenix	<u><u>\$ 13,974</u></u>	

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events and their potential effect on these financial statements through July 7, 2020, the audit report date. The following subsequent event has been identified:

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.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULES OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
Last 6 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability						
Service cost	\$ 4,142,535	\$ 4,155,397	\$ 4,209,926	\$ 4,020,819	\$ 4,031,007	\$ 3,923,555
Interest on total pension liability	14,352,628	13,894,593	12,940,862	12,467,773	11,758,667	11,172,426
Change in benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	5,629,330	(1,106,675)	1,334,744	(642,645)	(23,124)	995,470
Assumption changes	11,419,385	-	-	-	2,640,952	-
Benefit payments, including refunds	<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>	<u>(8,024,529)</u>
Net change in total pension liability	24,050,294	6,790,254	8,789,554	6,465,730	9,882,217	8,066,922
Total pension liability- beginning	<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>	<u>152,977,947</u>
Total pension liability- ending (a)	<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>
Plan Fiduciary Net Position						
Employer contributions	5,359,630	5,571,296	5,688,889	5,082,832	4,709,350	7,246,003
Employee contributions	3,043,806	2,981,025	2,986,900	2,881,884	2,740,313	2,798,057
Pension plan net investment income	29,326,115	(9,456,995)	19,358,952	3,948,011	(396,188)	9,136,639
Benefit payments, including refunds	(11,493,584)	(10,153,061)	(9,695,978)	(9,380,217)	(8,525,285)	(8,024,529)
Administrative expense	<u>(140,339)</u>	<u>(69,940)</u>	<u>(229,456)</u>	<u>(283,769)</u>	<u>(348,393)</u>	<u>(337,198)</u>
Net change in plan fiduciary net position	26,095,628	(11,127,675)	18,109,307	2,248,741	(1,820,203)	10,818,972
Plan fiduciary net position - beginning	<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>	<u>118,303,296</u>
Plan fiduciary net position - end (b)	<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>
Board's net pension liability - ending (a)-(b)	<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>	<u>\$ 31,922,601</u>
Plan fiduciary net position as a percentage of the total pension liability	74.94%	70.75%	79.31%	73.03%	74.48%	80.18%
Covered employee payroll	\$ 42,830,369	\$ 43,106,349	\$ 40,567,065	\$ 38,854,522	\$ 37,771,701	\$ 36,473,189
Net position liability as a percentage of covered employee payroll	127.00%	130.93%	94.96%	123.13%	115.50%	87.52%

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last 6 Fiscal Years

Year Ended December 31	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
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%
2014	\$ 4,500,000	\$ 7,246,003	\$ (2,746,003)	\$ 36,473,189	19.87%

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	13.1 years remaining as of January 1, 2019
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	7.50%, including inflation, net of pension plan investment expense
Inflation rate	2.75%
Projected salary increases	3.00% - 11.00%, based on years of service
Mortality	<p>Pre-retirement: RP-2014 Employee Mortality Table projected generationally with scale MP2015 from 2014.</p> <p>Healthy Annuitant: RP-2014 Healthy Annuitant Mortality Table with rates multiplied by 1.25, projected generationally with scale MP2015 from 2014.</p> <p>Disabled: RP-2014 Disabled Retiree Mortality Table with rates multiplied by 1.25, projected generationally with Scale MP2015 from 2014.</p>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULES OF CHANGES IN NET OPEB LIABILITY
AND RELATED RATIOS
Last 3 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 602,863	\$ 588,161	\$ 597,795
Interest	2,298,702	2,258,974	2,561,205
Change in benefit terms	186,670	-	-
Difference between expected and actual experience	7,695,468	227,422	(2,446,851)
Assumption changes	(3,063,333)	-	(2,709,507)
Benefit payments, including refunds	<u>(2,769,011)</u>	<u>(2,350,080)</u>	<u>(1,695,429)</u>
Net change in total OPEB liability	4,951,359	724,477	(3,692,787)
Total OPEB liability- beginning	<u>31,431,008</u>	<u>30,706,531</u>	<u>34,399,318</u>
Total pension liability- ending (a)	<u><u>\$ 36,382,367</u></u>	<u><u>\$ 31,431,008</u></u>	<u><u>\$ 30,706,531</u></u>
Plan Fiduciary Net Position			
Employer contributions	760,988	2,458,406	1,695,429
Employee contributions	-	-	-
Net investment income	5,805,454	(1,887,509)	3,805,272
Benefit payments, including refunds	(2,769,011)	(2,350,080)	(1,695,429)
Administrative expense	<u>(189,928)</u>	<u>(208,517)</u>	<u>-</u>
Net change in plan fiduciary net position	3,607,503	(1,987,700)	3,805,272
Plan fiduciary net position - beginning	<u>28,757,566</u>	<u>30,745,266</u>	<u>26,939,994</u>
Plan fiduciary net position - end (b)	<u><u>\$ 32,365,069</u></u>	<u><u>\$ 28,757,566</u></u>	<u><u>\$ 30,745,266</u></u>
Board's net OPEB liability - ending (a)-(b)	<u><u>\$ 4,017,298</u></u>	<u><u>\$ 2,673,442</u></u>	<u><u>\$ (38,735)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	88.96%	91.49%	100.13%
Covered employee payroll	\$ 41,903,933	\$ 44,291,774	\$ 43,106,349
Net position liability as a percentage of covered employee payroll	9.59%	6.04%	(0.09)%

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

Year Ended December 31	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2020	\$ 1,248,331	\$ -	\$ -	\$ 42,951,531	-%
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%
2012	\$ 3,700,336	\$ 4,871,996	\$ (1,171,660)	\$ 37,403,410	13.03%
2011	\$ 3,573,518	\$ 4,651,072	\$ (1,077,554)	\$ 36,225,354	12.84%

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	13 years remaining as of January 1, 2020
Asset valuation method	Market value

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULE OF LONG-TERM DEBT
For the year ended December 31, 2019

Maturity Date	Series 2010-A Bonds				Series 2011 Bonds			
	Rate	Principal	Interest	Total	Rate	Principal	Interest	Total
2020	5.000	6,890,000	534,250	7,424,250	5.000	3,015,000	224,125	3,239,125
2021	5.000	<u>7,240,000</u>	<u>181,000</u>	<u>7,421,000</u>	4.700	<u>3,165,000</u>	<u>74,375</u>	<u>3,239,375</u>
Total		14,130,000	715,250	14,845,250		6,180,000	298,500	6,478,500
Bond (discount) premium		<u>352,180</u>				<u>-</u>		
		<u>\$ 14,482,180</u>				<u>\$ 6,180,000</u>		

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULE OF LONG-TERM DEBT (CONT'D)
For the year ended December 31, 2019

Maturity Date	Series 2012-A Bonds				Series 2013-A Bonds			
	Rate	Principal	Interest	Total	Rate	Principal	Interest	Total
2020	5.000	2,280,000	698,725	2,978,725	3.000	100,000	854,225	954,225
2021	5.000	2,400,000	581,725	2,981,725	3.000	105,000	851,150	956,150
2022	5.000	2,520,000	458,725	2,978,725	3.000	110,000	847,925	957,925
2023	5.000	2,650,000	329,475	2,979,475	3.000	110,000	844,625	954,625
2024	3.000	2,760,000	221,825	2,981,825	3.000	115,000	841,250	956,250
2025	3.000	2,840,000	137,825	2,977,825	3.000	120,000	837,725	957,725
2026	3.250	2,930,000	47,613	2,977,613	3.000	120,000	834,125	954,125
2027	-	-	-	-	3.000	125,000	830,450	955,450
2028	-	-	-	-	3.250	130,000	826,461	956,461
2029	-	-	-	-	3.500	135,000	821,988	956,988
2030	-	-	-	-	3.500	140,000	817,175	957,175
2031	-	-	-	-	3.500	145,000	812,188	957,188
2032	-	-	-	-	3.500	150,000	807,025	957,025
2033	-	-	-	-	3.500	155,000	801,688	956,688
2034	-	-	-	-	3.750	160,000	795,975	955,975
2035	-	-	-	-	3.750	165,000	789,881	954,881
2036	-	-	-	-	3.750	170,000	783,600	953,600
2037	-	-	-	-	3.750	180,000	777,038	957,038
2038	-	-	-	-	3.750	5,155,000	677,006	5,832,006
2039	-	-	-	-	3.750	125,000	578,006	703,006
2040	-	-	-	-	3.750	130,000	573,225	703,225
2041	-	-	-	-	3.750	135,000	568,256	703,256
2042	-	-	-	-	3.823	4,430,000	481,050	4,911,050
2043	-	-	-	-	3.786	10,470,000	198,188	10,668,188
Total		18,380,000	2,475,913	20,855,913		22,880,000	17,850,225	40,730,225
Bond (discount) premium		254,048				(602,038)		
		<u>\$ 18,634,048</u>				<u>\$ 22,277,962</u>		

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULE OF LONG-TERM DEBT (CONT'D)
For the year ended December 31, 2019

Maturity Date	Series 2011 Subordinate Bonds				Series 2012 Subordinate Bonds			
	Rate	Principal	Interest	Total	Rate	Principal	Interest	Total
2020	3.100	95,000	40,998	135,998	2.900	65,000	27,333	92,333
2021	3.100	100,000	37,975	137,975	2.900	65,000	25,448	90,448
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	2,090	137,090	2.900	85,000	3,840	88,840
2032	-	-	-	-	-	90,000	1,305	91,305
Total		1,370,000	270,630	1,640,630		975,000	194,953	1,169,953
Bond (discount) premium		-				-		
		<u>\$ 1,370,000</u>				<u>\$ 975,000</u>		

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULE OF LONG-TERM DEBT (CONT'D)
For the year ended December 31, 2019

Maturity Date	Series 2013 Subordinate Bonds				Series 2014 Subordinate Bonds			
	Rate	Principal	Interest	Total	Rate	Principal	Interest	Total
2020	2.750	260,000	116,462	376,462	2.450	25,000	12,618	37,618
2021	2.750	265,000	109,244	374,244	2.450	25,000	12,005	37,005
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	78,237	378,237	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	5,086	375,086	2.450	35,000	2,813	37,813
2034	-	-	-	-	2.450	40,000	1,960	41,960
2035	-	-	-	-	2.450	40,000	980	40,980
Total		4,365,000	893,269	5,258,269		515,000	114,538	629,538
Bond (discount) premium		-				-		
		<u>\$ 4,365,000</u>				<u>\$ 515,000</u>		

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULE OF LONG-TERM DEBT (CONT'D)
For the year ended December 31, 2019

Maturity Date	Series 2015-A Bonds				Series 2015-B Bonds			
	Rate	Principal	Interest	Total	Rate	Principal	Interest	Total
2020	3.000	505,000	1,167,600	1,672,600	3.000	735,000	646,000	1,381,000
2021	4.000	3,320,000	1,093,625	4,413,625	4.000	830,000	618,375	1,448,375
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
2035	-	-	-	-	3.750	1,030,000	149,438	1,179,438
2035	-	-	-	-	3.750	1,115,000	109,219	1,224,219
2035	-	-	-	-	3.750	1,155,000	66,655	1,221,655
2035	-	-	-	-	3.750	1,200,000	22,500	1,222,500
Total		25,215,000	5,190,313	30,405,313		16,875,000	6,460,500	23,335,500
Bond (discount) premium		2,771,133				1,533,361		
		<u>\$ 27,986,133</u>				<u>\$ 18,408,361</u>		

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULE OF LONG-TERM DEBT (CONT'D)
For the year ended December 31, 2019

Maturity Date	Series 2016-A Bonds				Series 2016-B Subordinate Bonds			
	Rate	Principal	Interest	Total	Rate	Principal	Interest	Total
2020	5.000	2,365,000	6,953,575	9,318,575	-	-	13,303,050	13,303,050
2021	5.000	-	6,894,450	6,894,450	-	-	13,303,050	13,303,050
2022	5.000	3,025,000	6,818,825	9,843,825	-	-	13,303,050	13,303,050
2023	5.000	3,185,000	6,663,575	9,848,575	5.000	1,870,000	13,256,300	15,126,300
2024	5.000	3,350,000	6,500,200	9,850,200	5.000	6,090,000	13,057,300	19,147,300
2025	5.000	3,520,000	6,328,450	9,848,450	5.000	6,405,000	12,744,925	19,149,925
2026	5.000	3,700,000	6,147,950	9,847,950	5.000	2,535,000	12,521,425	15,056,425
2027	5.000	7,595,000	5,865,575	13,460,575	5.000	2,660,000	12,391,550	15,051,550
2028	5.000	7,990,000	5,475,950	13,465,950	5.000	2,795,000	12,255,175	15,050,175
2029	5.000	8,395,000	5,066,325	13,461,325	5.000	2,935,000	12,111,925	15,046,925
2030	5.000	4,560,000	4,742,450	9,302,450	5.000	12,940,000	11,715,050	24,655,050
2031	5.000	4,790,000	4,508,700	9,298,700	5.000	13,605,000	11,051,425	24,656,425
2032	5.000	9,765,000	4,144,825	13,909,825	5.000	14,310,000	10,353,550	24,663,550
2033	5.000	10,270,000	3,643,950	13,913,950	5.000	15,045,000	9,619,675	24,664,675
2034	4.000	10,735,000	3,172,500	13,907,500	4.000	16,595,000	8,911,650	25,506,650
2035	4.000	11,175,000	2,734,300	13,909,300	5.000 / 4.000	16,460,000	8,188,300	24,648,300
2036	4.000	11,635,000	2,278,100	13,913,100	3.000/4.000/5.000	17,235,000	7,413,475	24,648,475
2037	4.000	12,110,000	1,803,200	13,913,200	3.000/4.000/5.000	18,055,000	6,598,000	24,653,000
2038	4.000	12,605,000	1,308,900	13,913,900	3.000/4.000/5.000	18,945,000	5,712,375	24,657,375
2039	4.000	13,125,000	794,300	13,919,300	3.000/4.000/5.000	19,885,000	4,782,625	24,667,625
2040	4.000	6,515,000	401,500	6,916,500	3.000/4.000/5.000	20,865,000	3,806,550	24,671,550
2041	4.000	6,780,000	135,600	6,915,600	3.000/4.000/5.000	21,895,000	2,782,025	24,677,025
2042	-	-	-	-	3.000/4.000/5.000	22,970,000	1,706,725	24,676,725
2043	-	-	-	-	3.000/4.000/5.000	24,105,000	578,050	24,683,050
Total		157,190,000	92,383,200	249,573,200		278,200,000	221,467,225	499,667,225
Bond (discount) premium		23,130,095				46,442,966		
		<u>\$ 180,320,095</u>				<u>\$ 324,642,966</u>		

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULE OF LONG-TERM DEBT (CONT'D)
For the year ended December 31, 2019

Maturity Date	Series 2016-C Bonds				Series 2018-B Bonds			
	Rate	Principal	Interest	Total	Rate	Principal	Interest	Total
2020	1.788	5,470,000	379,530	5,849,530	5.000	1,820,000	4,295,250	6,115,250
2021	1.988	5,575,000	275,212	5,850,212	5.000	1,520,000	4,211,750	5,731,750
2022	2.192	5,695,000	157,380	5,852,380	5.000	1,900,000	4,126,250	6,026,250
2023	2.392	3,970,000	47,481	4,017,481	5.000	2,005,000	4,028,625	6,033,625
2024	-	-	-	-	5.000	2,095,000	3,926,125	6,021,125
2025	-	-	-	-	5.000	2,225,000	3,818,125	6,043,125
2026	-	-	-	-	5.000	6,540,000	3,599,000	10,139,000
2027	-	-	-	-	5.000	7,005,000	3,260,375	10,265,375
2028	-	-	-	-	5.000	7,350,000	2,901,500	10,251,500
2029	-	-	-	-	5.000	7,730,000	2,524,500	10,254,500
2030	-	-	-	-	5.000	3,935,000	2,232,875	6,167,875
2031	-	-	-	-	5.000	5,045,000	2,008,375	7,053,375
2032	-	-	-	-	5.000	4,460,000	1,770,750	6,230,750
2033	-	-	-	-	5.000	4,685,000	1,542,125	6,227,125
2034	-	-	-	-	5.000	4,050,000	1,323,750	5,373,750
2035	-	-	-	-	5.000	5,135,000	1,094,125	6,229,125
2036	-	-	-	-	5.000	5,400,000	830,750	6,230,750
2037	-	-	-	-	5.000	5,670,000	554,000	6,224,000
2038	-	-	-	-	5.000	5,960,000	263,250	6,223,250
2039	-	-	-	-	5.000	2,285,000	57,125	2,342,125
Total		<u>20,710,000</u>	<u>859,603</u>	<u>21,569,603</u>		<u>86,815,000</u>	<u>48,368,625</u>	<u>135,183,625</u>
Bond (discount) premium		<u>-</u>				<u>10,178,373</u>		
		<u>\$ 20,710,000</u>				<u>\$ 96,993,373</u>		

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULE OF LONG-TERM DEBT (CONT'D)
For the year ended December 31, 2019

Maturity Date	Series 2019				Aggregate Debt Service		
	Rate	Principal	Interest	Total	Principal	Interest	Total
2020	1.925	940,000	6,138,045	7,078,045	24,565,000	35,391,784	59,956,784
2021	1.965	2,925,000	10,245,972	13,170,972	27,535,000	38,515,356	66,050,356
2022	2.032	10,480,000	10,110,758	20,590,758	28,530,000	37,515,311	66,045,311
2023	2.161	10,700,000	9,888,667	20,588,667	29,535,000	36,515,396	66,050,396
2024	2.201	10,935,000	9,652,714	20,587,714	30,640,000	35,408,252	66,048,252
2025	2.363	11,200,000	9,400,046	20,600,046	31,835,000	34,216,396	66,051,396
2026	2.463	11,465,000	9,126,527	20,591,527	33,095,000	32,953,921	66,048,921
2027	2.601	14,790,000	8,792,992	23,582,992	34,410,000	31,645,720	66,055,720
2028	2.671	15,175,000	8,397,985	23,572,985	35,755,000	30,294,522	66,049,522
2029	2.701	15,580,000	7,984,915	23,564,915	37,165,000	28,876,403	66,041,403
2030	2.801	15,220,000	7,561,351	22,781,351	39,335,000	27,359,111	66,694,111
2031	2.901	16,780,000	7,104,801	23,884,801	40,970,000	25,727,094	66,697,094
2032	3.001	13,565,000	6,657,865	20,222,865	42,735,000	23,960,370	66,695,370
2033	3.091	14,075,000	6,236,793	20,311,793	44,635,000	22,058,385	66,693,385
2034	3.141	14,920,000	5,784,945	20,704,945	46,500,000	20,197,030	66,697,030
2035	3.463	15,490,000	5,282,417	20,772,417	48,465,000	18,296,253	66,761,253
2036	3.463	15,075,000	4,753,184	19,828,184	50,515,000	16,246,609	66,761,609
2037	3.463	15,615,000	4,221,787	19,836,787	52,660,000	14,103,462	66,763,462
2038	3.463	11,155,000	3,758,264	14,913,264	54,935,000	11,829,014	66,764,014
2039	3.463	16,750,000	3,275,089	20,025,089	53,325,000	9,553,802	62,878,802
2040	3.463	19,005,000	2,645,539	21,650,539	47,715,000	7,449,314	55,164,314
2041	3.573	20,940,000	1,931,921	22,871,921	49,750,000	5,417,802	55,167,802
2042	3.573	17,415,000	1,246,709	18,661,709	44,815,000	3,434,484	48,249,484
2043	3.573	12,820,000	706,561	13,526,561	47,395,000	1,482,798	48,877,798
2044	3.573	6,560,000	360,338	6,920,338	6,560,000	360,337	6,920,337
2045	3.573	<u>6,805,000</u>	<u>121,571</u>	<u>6,926,571</u>	<u>6,805,000</u>	<u>121,571</u>	<u>6,926,571</u>
Total		336,380,000	151,387,756	487,767,756	990,180,000	548,930,497	1,539,110,497
Bond (discount) premium		<u>-</u>			<u>84,060,118</u>		
		<u>\$ 336,380,000</u>			<u>\$ 1,074,240,118</u>		

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULE OF CHANGES IN UTILITY PLANT ASSETS
For the year ended December 31, 2019

Account Reference		Asset Account			Balance as of December 31, 2019
		Balance as of December 31, 2018	Plant Additions	Plant Retirements	
	Utility plant in service:				
	Land and land rights:				
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	2,599,556	37,564	-	2,637,120
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	1,114,253	192,100	-	1,306,353
103150	Office	4,143,492	19,953	-	4,163,445
103155	Stores, shop and garage	744,648	-	-	744,648
103160	Miscellaneous	<u>11,824,316</u>	<u>-</u>	<u>-</u>	<u>11,824,316</u>
	Total land and land rights	37,776,993	249,617	-	38,026,610
	Structures and improvements:				
103165	Land improvement	125,474	20,362	-	145,836
103210	Collecting and impounding reservoirs	14,536,191	-	-	14,536,191
103215	Lake, river and other intakes	21,127,849	53,714	-	21,181,563
103220	Infiltration galleries and tunnels	182,665	-	-	182,665
103225	Other water sources	1,981,662	-	-	1,981,662
103230	Power and pumping	15,088,949	120,075	-	15,209,024
103235	Purification building	35,646,413	173,075	-	35,819,488
103240	Distribution reservoirs and standpipes	74,072,790	-	-	74,072,790
103245	Office	24,286,943	68,863	-	24,355,806
103250	Stores, shop and garage	4,678,787	300,020	-	4,978,807
103255	Miscellaneous	<u>18,050,889</u>	<u>2,708,494</u>	<u>-</u>	<u>20,759,383</u>
	Total structures and improvements	209,778,612	3,444,603	-	213,223,215

Accumulated Depreciation				Net Balance as of December 31, 2019
Balance as of December 31, 2018	Depreciation	Retirements	Balance as of December 31, 2019	
\$ -	\$ -	\$ -	\$ -	\$ 3,280,022
-	-	-	-	1,188,285
-	-	-	-	6,455,092
-	-	-	-	2,637,120
-	-	-	-	65,724
-	-	-	-	734,720
-	-	-	-	5,626,885
-	-	-	-	1,306,353
-	-	-	-	4,163,445
-	-	-	-	744,648
-	-	-	-	11,824,316
-	-	-	-	38,026,610
5,299	9,667	-	14,966	130,870
9,701,140	512,135	-	10,213,275	4,322,916
4,810,648	273,173	-	5,083,821	16,097,742
136,038	753	-	136,791	45,874
666,719	57,530	-	724,249	1,257,413
8,141,755	415,562	-	8,557,317	6,651,707
19,323,902	1,234,488	-	20,558,390	15,261,098
26,737,943	1,474,268	-	28,212,211	45,860,579
12,996,155	752,516	-	13,748,671	10,607,135
2,855,526	157,436	-	3,012,962	1,965,845
9,612,093	604,987	-	10,217,080	10,542,303
94,987,218	5,492,515	-	100,479,733	112,743,482

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULE OF CHANGES IN UTILITY PLANT ASSETS (CONT'D)
For the year ended December 31, 2019

		Asset Account			
Account Reference		Balance as of December 31, 2018	Plant Additions	Plant Retirements	Balance as of December 31, 2019
103310	Equipment:				
103315	Boiler	\$ -	\$ -	\$ -	\$ -
103320	Other power production equipment	421,661	-	-	421,661
103323	Steam pumping	-	-	-	-
103325	Electric pumping	34,616,527	2,059,950	-	36,676,477
103327	Oil engine pumping equipment	3,655	-	-	3,655
103330	Other power pumping	414,317	676,045	-	1,090,362
103332	Purification system	25,772,950	-	-	25,772,950
103333	Chemical treating plant - sewer	32,648,297	18,260	-	32,666,557
103335	Clean water basins	19,144,629	-	-	19,144,629
103340	Filter plant	135,151,265	15,971	(22,593)	135,144,643
103345	Softening plant	6,813	-	-	6,813
103350	Transmission mains and accessories	163,426,892	2,586,863	-	166,013,755
103355	Distribution mains and accessories	326,382,673	8,597,416	-	334,980,089
103360	Services	89,733,383	1,849,367	-	91,582,750
103365	Meters	51,273,120	1,854,663	(580,265)	52,547,518
103370	Hydrants	29,487,646	988,628	-	30,476,274
103375	Office furniture and equipment	45,502,209	1,485,168	(1,252,735)	45,734,642
103380	Transportation	15,033,267	1,322,873	(1,061,028)	15,295,112
103383	Stores	6,478	-	-	6,478
103385	Shop	72,487	-	-	72,487
103387	Laboratory	1,961,883	90,117	-	2,052,000
103390	Tool and work	12,188,836	852,778	(520,642)	12,520,972
103393	Communication	5,738,176	750,419	(6,443)	6,482,152
103395	Miscellaneous	10,640,390	650,933	(6,634)	11,284,689
	Other tangible property	19,793	-	-	19,793
	Utility plant not in service	-	-	-	-
	Total equipment	<u>999,647,348</u>	<u>23,799,451</u>	<u>(3,450,340)</u>	<u>1,019,996,459</u>
	Total utility plant in service	1,247,202,953	27,493,671	(3,450,340)	1,271,246,285
	Construction in progress	<u>63,932,892</u>	<u>19,171,950</u>	<u>-</u>	<u>83,104,840</u>
	Total utility plant	<u>\$ 1,311,135,845</u>	<u>\$ 46,665,621</u>	<u>\$ (3,450,340)</u>	<u>\$ 1,354,351,125</u>

Accumulated Depreciation				Net Balance as of December 31, 2019
Balance as of December 31, 2018	Depreciation	Retirements	Balance as of December 31, 2019	
\$ -	\$ -	\$ -	\$ -	\$ -
182,897	18,013	-	200,910	220,751
-	-	-	-	-
13,730,230	1,413,852	-	15,144,082	21,532,395
682	146	-	828	2,827
264,838	34,290	-	299,128	791,234
10,849,942	547,181	-	11,397,123	14,375,827
16,334,631	604,661	-	16,939,292	15,727,265
5,368,780	440,758	-	5,809,538	13,335,091
25,115,588	3,018,619	(22,593)	28,111,614	107,033,029
4,257	80	-	4,337	2,476
27,426,488	1,667,411	-	29,093,899	136,919,856
107,442,452	4,721,163	-	112,163,615	222,816,474
20,575,450	1,887,051	-	22,462,501	69,120,249
15,580,317	2,664,186	(546,773)	17,697,730	34,849,788
10,386,684	595,693	-	10,982,377	19,493,897
19,120,132	4,335,546	(1,250,483)	22,205,195	23,529,447
9,591,262	1,125,491	(873,413)	9,843,340	5,451,772
3,659	686	-	4,345	2,133
24,270	8,273	-	32,543	39,944
1,361,354	99,312	-	1,460,666	591,334
7,199,318	980,892	(495,750)	7,684,460	4,836,512
3,974,354	551,598	(6,443)	4,519,509	1,962,643
6,059,357	654,668	(6,634)	6,707,391	4,577,298
19,794	-	-	19,793	-
-	-	-	-	-
<u>300,616,736</u>	<u>25,369,570</u>	<u>(3,202,092)</u>	<u>322,784,216</u>	<u>697,212,242</u>
395,603,953	30,862,085	(3,202,092)	423,263,946	847,982,334
-	-	-	-	83,104,840
<u>\$ 395,603,953</u>	<u>\$ 30,862,085</u>	<u>\$ (3,202,092)</u>	<u>\$ 423,263,946</u>	<u>\$ 931,087,179</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULES OF OPERATING EXPENSES
For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operations:		
Sources of supply other	\$ 1,148,372	\$ 1,062,680
Power and pumping	10,991,853	10,231,682
Purification	12,590,866	11,625,683
Transmission and distribution	9,283,393	8,787,458
Customer's accounting and collection	12,170,845	13,922,280
Administrative and general	28,113,098	22,801,673
Payroll taxes	2,859,788	2,762,368
License fees - Birmingham	2,208,956	2,093,484
License fees - other	<u>2,346,466</u>	<u>2,212,126</u>
Total operations	81,713,637	75,499,434
Maintenance:		
Source of supply	499,211	462,114
Power and pumping	2,604,126	2,518,871
Purification	1,050,709	928,243
Transmission and distribution	14,144,877	13,727,201
Administrative and general	<u>3,912,329</u>	<u>3,496,418</u>
Total maintenance	<u>22,211,252</u>	<u>21,132,847</u>
Depreciation expense	<u>30,862,083</u>	<u>29,780,880</u>
Total operating expenses	<u>\$ 134,786,972</u>	<u>\$ 126,413,161</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULES OF NONOPERATING REVENUES (EXPENSES)
For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Other income:		
Investment interest income	\$ 5,160,584	\$ 3,118,009
Other interest income	9,661	9,355
Land and timber sales	-	-
Commissions and other	437,973	847,227
Gain (loss) on disposal of property	<u>(242,445)</u>	<u>(351,104)</u>
Total other income	5,365,773	3,623,487
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	(39,464,445)	(41,117,998)
Interest paid on customers' guarantee deposits	<u>(5,579)</u>	<u>(5,161)</u>
Total interest expense	(39,470,024)	(41,123,159)
Total nonoperating revenues (expenses)	<u>\$ (34,104,251)</u>	<u>\$ (37,499,672)</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULE OF AMOUNTS ON DEPOSIT WITH TRUSTEE BY FUND
December 31, 2019

Fund Type	Fair Market Value	Accrued Interest	Carrying Value
Construction funds	\$ 62,473,461	\$ 4,294	\$ 62,477,755
Revenue funds	112,170,721	-	112,170,721
Debt service funds	36,829,746	-	36,829,746
Debt service reserve funds	7,117,224	231,930	7,349,154
Development, renewal and replacement funds	1,249,309	28	1,249,337
Special acquisition funds	<u>20,250,604</u>	<u>179</u>	<u>20,250,783</u>
	<u>\$ 240,091,065</u>	<u>\$ 236,431</u>	<u>\$ 240,327,496</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULE OF MAJOR INDUSTRIAL/GOVERNMENTAL CUSTOMERS
(UNAUDITED)
For the year ended December 31, 2019

Customer	Revenues	% Total of Operating Revenue
University of Alabama at Birmingham	\$ 4,546,333	2.25%
US Steel	2,155,035	1.07%
ERP Compliant Coke	1,413,340	0.70%
Birmingham Housing Authority	1,322,757	0.65%
Graysville Water Co.	1,145,393	0.57%
Buffalo Rock Co.	839,533	0.42%
ACIPCO	741,842	0.37%
Town of Mulga	685,657	0.34%
Samford University	657,888	0.33%
Town of West Jefferson	<u>655,145</u>	<u>0.32%</u>
	<u>\$ 14,162,923</u>	<u>7.01%</u>

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

Coverage Period November 1, 2019 to November 1, 2020

Type of Coverage	Policy No.	Deductible	Policy Limits
Property:			
Primary property (TIV - \$535,590,398):	B0621TBWWB000118	\$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)	NHT910373	50M	(TIV) 485,590,398
Primary Liability:	292066-03		
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
Excess Liability	0310-4017	\$10,000,000	\$10,000,000
Pollution	PEC002469903	250,000	\$5,000,000
Fiduciary	SFD31210958-02	\$25,000	\$3,000,000
Commercial Crime	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
Cyber	ASH19B000782	50,000	10,000,000
Specific Excess Worker Compensation and Workers Comp Liability	SP 4061531	500,000	Statutory \$2,000,000

**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, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated July 7, 2020. 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

Page 2

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.

Banks, Finley White & Co.

Birmingham, Alabama
July 7, 2020