



**The Water Works Board  
of the City of Birmingham**

**FINANCIAL STATEMENTS**

**December 31, 2022 and 2021**



	Page
<b>REPORT</b>	
Independent Auditors' Report .....	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	5.1
<b>FINANCIAL STATEMENTS</b>	
<b>Basic Financial Statements</b>	
Statements of Net Position – Enterprise Fund .....	6
Statements of Revenues, Expenses and Changes in Fund Net Position – Enterprise Fund .....	8
Statements of Cash Flows - Enterprise Fund .....	9
Statements of Fiduciary Net Position – Pension Trust Fund .....	11
Statements of Changes in Fiduciary Net Position – Pension Trust Fund .....	12
Statements of Fiduciary Net Position – OPEB Trust Fund .....	13
Statements of Changes in Fiduciary Net Position – OPEB Trust Fund .....	14
Notes to the Financial Statements .....	15
<b>Required Supplementary Information</b>	
Schedules of Changes in Net Pension Liability and Related Ratios .....	62
Schedule of Employer Pension Contributions .....	63
Schedules of Changes in Net OPEB Liability and Related Ratios .....	64
Schedule of Employer OPEB Contributions .....	65
<b>Supplementary Information</b>	
Schedules of Long-Term Debt .....	66
Schedules of Changes in Utility Plant Assets.....	72
Schedules of Operating Expenses .....	74
Schedules of Nonoperating Revenues (Expenses) .....	75
Schedule of Amounts on Deposit with Trustee by Fund.....	76
<b>Other Information</b>	
Schedule of Revenue Bond Coverage (Unaudited) .....	77
Schedule of Major Industrial/Governmental Customers (Unaudited) .....	78
Schedule of Insurance Policies (Unaudited).....	79
Schedule of Operation Statistics (Unaudited).....	80
<b>Report on Compliance and Internal Control Matters</b>	
Independent Auditors' 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> .....	81
Schedule of Findings and Responses .....	83



**Carr, Riggs & Ingram, LLC**  
3700 Colonnade Parkway  
Suite 300  
Birmingham, AL 35243

(205) 933-7822  
(205) 933-7944 (fax)  
[www.cricpa.com](http://www.cricpa.com)

## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the Water Works Board of the City of Birmingham (the Board), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Board as of December 31, 2022, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Retirement Plan for Employees of the Water Works Board of the City of Birmingham and the Other Postemployment Benefit Plan of the Water Works Board of the City of Birmingham (the Plans), discretely presented component units of the Board as of December 31, 2022. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Plans, is based solely on the report of the other auditors.

#### ***Basis for Opinion***

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

#### ***Prior Period Financial Statements***

The financial statements of the Board as of December 31, 2021 were audited by other auditors whose report dated June 30, 2022 expressed an unmodified opinion on those statements.

## ***Emphasis of Matter***

### **Correction of Errors**

As discussed in Note 15 of the financial statements, in 2022, the Board record prior period adjustments to correct for errors in unbilled revenue as well as deferred outflows of resources related to OPEB contributions made subsequent to the measurement date of the OPEB liability. Our opinion is not modified with respect to this matter.

### **Change in Accounting Principle**

As described in Note 15 of the financial statements, in 2022, the Board adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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

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

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

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

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

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedules of Changes in Net Pension Liability and Related Ratios and Employer Contributions, the Schedules of Changes in Net OPEB Liability and Related Ratios and Employer Contributions and the related notes to the required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The accompanying schedules of long-term debt, changes in utility plant assets, amounts on deposit with trustee by fund and the statements of operating expenses and nonoperating revenues (expenses), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional

procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of long-term debt, changes in utility plant assets, amounts on deposit with trustee by fund and the statements of operating expenses and nonoperating revenues (expenses) are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the financial statements. The other information comprises the schedules of revenue bond coverage, major industrial/governmental customers, insurance policies and operation statistics, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2023, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and note to provide an opinion on the effectiveness of the Board's 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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama  
June 23, 2023



**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
December 31, 2022**

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, 2022. Please read it in conjunction with the financial statements, which follow this section:

**Financial Highlights for 2022**

- The assets and deferred outflows of resources of the Board exceed its liabilities and deferred inflows of resources for the fiscal year 2022 by \$206.4 million. This represents an increase in net position of \$32.0 million over the prior year. The Board's unrestricted net position, which may be used to meet ongoing obligations to customers and creditors is \$(27.5) million.
- Total operating revenues increased 8.58% due to the Board annual rate increase, an increase in the number of residential customers and an increase in commercial consumption as commercial customers returned to the office after the pandemic.
- Total operating expenses increased 16.92% due to increases in pension and OPEB expenses resulting from unfavorable investment returns, labor cost related to cost-of-living adjustments and bad debt expense from suspending customer disconnections. Other contributing factors include an increase in vendor prices for chemicals and power.
- Nonoperating expenses decreased 18.04% primarily due to a decrease in interest expense as a result of refunding the Series 2021 Water Revenue Bond.

**Overview of the Financial Statements**

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

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)**  
**December 31, 2022**

**Required Basic Financial Statements**

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

The 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.



**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
December 31, 2022**

**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

	2022	2021	2020	2022-2021 Change	2021-2020 Change
	<i>Restated</i>				
Current and other assets	\$ 74,924,799	\$ 82,146,074	\$ 75,564,625	\$ (7,221,275)	\$ 6,581,449
Trusteed funds	184,553,637	184,387,710	216,380,526	165,927	(31,992,816)
Utility plant, net	999,439,795	982,390,091	957,397,794	17,049,704	24,992,297
<b>Total assets</b>	<b>\$ 1,258,918,231</b>	<b>\$ 1,248,923,875</b>	<b>\$ 1,249,342,945</b>	<b>\$ 9,994,356</b>	<b>\$ (419,070)</b>
Total deferred outflow of resources	\$ 94,435,989	\$ 83,941,442	\$ 68,249,801.00	\$ 10,494,547.00	\$ 15,691,641.00
Current and other liabilities	89,002,556	82,223,046	76,060,699	6,779,510	6,162,347
Long-term liabilities	1,047,915,257	1,048,400,188	1,078,966,112	(484,931)	(30,565,924)
<b>Total liabilities</b>	<b>\$ 1,136,917,813</b>	<b>\$ 1,130,623,234</b>	<b>\$ 1,155,026,811</b>	<b>\$ 6,294,579</b>	<b>\$ (24,403,577)</b>
Total deferred inflow of resources	\$ 10,009,197	\$ 27,775,216	\$ 19,036,567	\$ (17,766,019)	\$ 8,738,649
Net investment in capital assets	\$ 63,709,925	\$ 17,939,583	\$ 75,095,745	45,770,342	(57,156,162)
Restricted	170,225,727	170,480,702	161,474,962	(254,975)	9,005,740
Unrestricted	(27,508,442)	(13,953,418)	(93,041,345)	(13,555,024)	79,087,927
<b>Total net position</b>	<b>\$ 206,427,210</b>	<b>\$ 174,466,867</b>	<b>\$ 143,529,362</b>	<b>\$ 31,960,343</b>	<b>\$ 30,937,505</b>

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
December 31, 2022**

As shown in Table A-1, current assets decreased \$7.2 million due to the use of cash to fund capital projects which is offset by an increase in customer accounts receivable. The Board suspended customer disconnections due to billing delays. Net utility plant increased \$17.0 million due to continued capital improvement programs. Total assets increased \$10.0 million. Deferred outflows increased \$10.5 million, primarily resulting from the pension liability. Total current and other liabilities increased \$6.8 million, primarily due to the current maturity of bond payables. Total liabilities increased \$6.3 million in 2022. Deferred inflows decreased \$17.8 million, resulting from the pension liability.

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

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

	2022	2021	2020	2022-2021 Change	2021-2020 Change
		<i>Restated</i>			
Water revenue	\$ 194,732,769	\$ 178,980,132	\$ 183,709,311	\$ 15,752,637	\$ (4,729,179)
Other operating revenue	18,366,416	17,288,224	16,672,957	1,078,192	615,267
Total operating revenue	213,099,185	196,268,356	200,382,268	16,830,829	(4,113,912)
Other income, primarily interest	2,780,716	2,398,656	2,065,395	382,060	333,261
Total revenues	215,879,901	198,667,012	202,447,663	17,212,889	(3,780,651)
Water and sewer service expenses	120,848,948	98,324,220	101,002,059	22,524,728	(2,677,839)
License fees paid to municipalities	4,371,843	4,469,779	4,642,656	(97,936)	(172,877)
Depreciation	31,776,243	31,478,871	31,160,197	297,372	318,674
Total operating expenses	156,997,034	134,272,870	136,804,912	22,724,164	(2,532,042)
Interest expense	31,413,441	38,325,650	37,040,585	(6,912,209)	1,285,065
Total expenses	188,410,475	172,598,520	173,845,497	15,811,955	(1,246,977)
Gain (loss) before contributions	27,469,426	26,068,492	28,602,166	1,400,934	(2,533,674)
Capital contributions	4,490,917	4,869,013	5,358,947	(378,096)	(489,934)
Change in net position	31,960,343	30,937,505	33,961,113	1,022,838	(3,023,608)
Net position at beginning of the year	174,466,867	143,529,362	109,568,249	30,937,505	33,961,113
Net position at end of the year	\$ 206,427,210	\$ 174,466,867	\$ 143,529,362	\$ 31,960,343	\$ 30,937,505

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
December 31, 2022**

With total operating and nonoperating revenues of \$215.9 million and capital contributions of \$4.5 million amounting to \$220.4 million in revenue and expenses of \$188.4 million, the Board's net position increased \$32.0 million in 2022 to \$206.4 million.

**Financial Operations Summary**

**Budgetary Highlights**

On November 17, 2021, the Board of Directors approved the 2022 Operation and Maintenance (O&M) Budget, including projected total revenues of \$212.1 million and O&M expenses of \$115.3 million. The Board's original budget was amended to add \$570,000 in O&M expenses resulting in an amended budget total of \$115,894,045. The amendment included expenses for community education programs, grant consulting services and for strategic communication initiatives and community engagement plans.

The Board's total revenue was higher than budget by \$3.7 million primarily due to residential and commercial sales. In 2022, the Board experienced an increase in the number of residential customers and an increase in commercial customer consumption. O&M expenses were higher than budget by \$9.3 million, primarily due to increases in pension and OPEB expenses resulting from unfavorable investment returns, bad debt expense from suspending customer disconnections and from chemical and power expenses. The Board estimated vendor prices based on historical growth trends and information available at the time; however, significant price increases throughout the year were noted for chemical and power vendors.

**Utility Plant**

The Board's utility plant increased by \$48.3 million during 2022. 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 \$1,507.5 million and \$1,459.2 million for December 31, 2022 and 2021, respectively. Changes in utility plant (before accumulated depreciation) are displayed in the table below. At December 31, 2022, commitments for capital expenditures totaled approximately \$21.2 million.

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

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2022-2021 Change</b>	<b>2021-2020 Change</b>
Land and land rights	\$ 40,536,124	\$ 40,099,377	\$ 39,112,928	\$ 436,747	\$ 986,449
Construction-in-progress	169,717,016	140,648,971	115,235,584	29,068,045	25,413,387
Structures and improvements	223,658,293	222,476,068	219,213,332	1,182,225	3,262,736
Pumping equipment	41,605,571	39,747,004	38,831,466	1,858,567	915,538
Transmission and distribution mains	539,010,458	526,888,716	510,467,443	12,121,742	16,421,273
Equipment and other utility plant	492,969,101	489,323,986	481,793,271	3,645,115	7,530,715
	<u>\$ 1,507,496,563</u>	<u>\$ 1,459,184,122</u>	<u>\$ 1,404,654,024</u>	<u>\$ 48,312,441</u>	<u>\$ 54,530,098</u>

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
December 31, 2022**

**Debt Administration**

A summary of changes in debt obligations from 2022 to 2021, is presented as follows:

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

	2022	2021	2020	2022-2021 Change	2021-2020 Change
Long-term debt	\$ 958,989,567	\$ 996,988,917	\$ 1,015,275,170	\$ (37,999,350)	\$ (18,286,253)
Current maturities of long-term debt	37,999,350	34,057,735	27,535,000	3,941,615	6,522,735
Total debt obligations	\$ 996,988,917	\$ 1,031,046,652	\$ 1,042,810,170	\$ (34,057,735)	\$ (11,763,518)

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

Debt service coverage on parity debt is required by the Board's bond indenture covenant to be maintained at a minimum of 1.25 times Revenue Available for Debt Service as defined in the bond indenture. Debt service coverage on parity debt was 1.51 in 2022.

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
December 31, 2022**

**Investment Portfolio**

Trusted fund balances at December 31, 2022 increased by \$.2 million from the end of 2021.

**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**

<i>December 31,</i>	<b>2022</b>	2021 - <i>Restated</i>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 21,859,346	\$ 46,052,651
Customer accounts receivable, net of allowance for doubtful accounts of \$11,544,074 and \$7,002,391 in 2022 and 2021, respectively	<b>30,124,076</b>	13,342,788
Unbilled water revenue	<b>9,599,238</b>	11,529,526
Lease receivable	<b>35,123</b>	44,957
Other receivables	<b>2,280,502</b>	2,627,735
Materials and supplies	<b>6,663,072</b>	4,896,180
Prepaid expenses	<b>3,996,132</b>	3,242,651
<b>Total current assets</b>	<b>74,557,489</b>	81,736,488
Trusted (restricted) fund assets		
Cash and cash equivalents	<b>58,502,006</b>	80,048,144
Investments	<b>125,661,980</b>	104,269,766
Interest accrued on securities	<b>389,651</b>	69,800
<b>Total trusted fund assets</b>	<b>184,553,637</b>	184,387,710
Capital assets		
Utility plant		
Utility plant in service	<b>1,337,779,547</b>	1,318,535,151
Construction-in-progress	<b>169,717,016</b>	140,648,971
	<b>1,507,496,563</b>	1,459,184,122
Less accumulated depreciation	<b>(508,056,768)</b>	(476,794,031)
Net utility plant	<b>999,439,795</b>	982,390,091
Lease receivable, net of current portion	<b>367,310</b>	409,586
<b>Total noncurrent assets</b>	<b>1,184,360,742</b>	1,167,187,387
<b>Total assets</b>	<b>1,258,918,231</b>	1,248,923,875
<b>Deferred Outflows of Resources</b>		
Deferred loss on refundings of debt	<b>61,259,047</b>	66,596,144
Deferred outflows related to pension	<b>24,209,163</b>	10,665,463
Deferred outflows related to OPEB	<b>8,967,779</b>	6,679,835
<b>Total deferred outflows of resources</b>	<b>94,435,989</b>	83,941,442
<b>Total assets and deferred outflows of resources</b>	<b>\$ 1,353,354,220</b>	\$1,332,865,317

(Continued)

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

**The Water Works Board of the City of Birmingham  
Statements of Net Position—Enterprise Fund (Continued)**

<i>December 31,</i>	<b>2022</b>	2021 - <i>Restated</i>
<b>Liabilities</b>		
Current liabilities		
Accounts payable, including contract retentions	\$ 26,743,196	\$ 24,979,245
General taxes payable	1,341,780	1,115,250
Accrued expenses	8,590,320	8,163,807
Current maturities of bonds payable	37,999,350	34,057,735
	<b>74,674,646</b>	68,316,037
Current liabilities payable from restricted assets		
Interest accrued on long-term obligations	14,327,910	13,907,009
<b>Total current liabilities</b>	<b>89,002,556</b>	82,223,046
Noncurrent liabilities		
Bonds payable, net of current maturities	958,989,567	996,988,917
Customer guarantee deposits	15,016,542	14,102,942
Customer advances for construction	981,382	989,558
Compensated absences, net of current portion	1,383,185	1,321,131
Worker's compensation reserve, net of current portion	1,168,574	976,191
Net pension liability	65,242,705	30,797,720
Net OPEB liability	5,133,302	3,223,729
<b>Total noncurrent liabilities</b>	<b>1,047,915,257</b>	1,048,400,188
<b>Total liabilities</b>	<b>1,136,917,813</b>	1,130,623,234
<b>Deferred Inflows of Resources</b>		
Deferred inflow of resources related to pension	2,789,914	20,653,858
Deferred inflow of resources related to OPEB	6,808,369	6,666,815
Deferred inflow of resources related to leases	410,914	454,543
<b>Total deferred inflows of resources</b>	<b>10,009,197</b>	27,775,216
<b>Net Position</b>		
Invested in capital assets, net of related debt	63,709,925	17,939,583
Restricted for debt service	170,225,727	170,480,702
Unrestricted	(27,508,442)	(13,953,418)
<b>Total net position</b>	<b>206,427,210</b>	174,466,867
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$1,353,354,220</b>	\$1,332,865,317

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



**The Water Works Board of the City of Birmingham  
Statements of Revenues, Expenses and Changes in  
Fund Net Position—Enterprise Fund**

<i>December 31,</i>	<b>2022</b>	2021 - <i>Restated</i>
<b>Operating Revenues</b>		
Sale of water		
Residential	\$ 111,898,804	\$ 100,279,319
Commercial	62,885,913	57,720,799
Industrial	1,567,580	1,666,721
Other water utilities	2,896,128	2,888,412
Municipal	5,503,980	4,661,237
Public and private fire protection	5,901,195	6,544,110
Raw water	4,079,169	5,219,534
Total sale of water	<b>194,732,769</b>	178,980,132
Rent from utility properties	419,122	394,360
Sewer billing and collection fee	15,838,328	13,856,904
Other operating revenue	2,108,966	3,036,960
Total operating revenues	<b>213,099,185</b>	196,268,356
<b>Operating Expenses</b>		
Source of supply	1,616,052	1,433,717
Power and pumping	16,835,798	14,298,105
Purification	16,917,263	13,758,174
Transmission and distribution	25,128,602	24,431,011
Customer accounting and collection	17,188,415	13,948,057
Administrative and general	43,162,818	30,455,156
License fees paid to the City of Birmingham	2,067,325	2,041,729
License fees paid to other municipalities	2,304,518	2,428,050
Depreciation	31,776,243	31,478,871
Total operating expenses	<b>156,997,034</b>	134,272,870
<b>Operating Income</b>	<b>56,102,151</b>	61,995,486
<b>Nonoperating Revenues (Expenses)</b>		
Other income, primarily interest	2,780,716	2,398,656
Interest expense	(31,413,441)	(38,325,650)
Total nonoperating revenues (expenses)	<b>(28,632,725)</b>	(35,926,994)
Gain (loss) before contributions	27,469,426	26,068,492
Capital contributions	4,490,917	4,869,013
Change in net position	<b>31,960,343</b>	30,937,505
Net position at beginning of year	174,466,867	143,529,362
Net position at end of the year	<b>\$ 206,427,210</b>	\$ 174,466,867

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

**The Water Works Board of the City of Birmingham**  
**Statements of Cash Flows—Enterprise Fund**

<i>For the years ended December 31,</i>	<b>2022</b>	2021 - <i>Restated</i>
<b>Operating Activities</b>		
Cash received from potable water customers	\$ 176,488,595	\$ 183,002,455
Cash received from raw water customers	4,306,775	5,562,170
Cash received from rent of utility properties	427,603	394,360
Cash received from other operating revenues	129,555	5,127,466
Cash received for agency agreements	218,623,133	191,068,749
Cash payments for agency agreements	(199,548,756)	(177,415,713)
Payments to suppliers	(84,632,687)	(69,006,985)
Payments to employees	(37,945,944)	(33,157,414)
<b>Net cash provided by (used in) operating activities</b>	<b>77,848,274</b>	<b>105,575,088</b>
<b>Non-Capital and Related Financial Activities</b>		
Intergovernmental revenue	-	674,741
<b>Net cash provided by (used in) non-capital and related financing activities</b>	<b>-</b>	<b>674,741</b>
<b>Capital and Related Financing Activities</b>		
Purchases of capital assets	(49,008,013)	(56,574,902)
Other capital asset activity	(156,793)	185,055
Contributed capital for construction	4,490,917	4,869,000
Customer advances for construction	(8,176)	(134,475)
Proceeds from bond offering	-	480,995,000
Payment on long-term debt	(31,415,000)	(436,155,000)
Interest paid on debt	(28,292,379)	(119,205,756)
<b>Net cash provided by (used in) in capital and related financing activities</b>	<b>(104,389,444)</b>	<b>(126,021,078)</b>
<b>Investing Activities</b>		
Purchases of investment securities	(625,924,055)	(335,924,856)
Proceeds from sale and maturities of investment securities	626,077,980	367,843,805
Interest on investments	2,193,940	1,173,994
<b>Net cash provided by (used in) investing activities</b>	<b>2,347,865</b>	<b>33,092,943</b>
<b>Change in cash and cash equivalents</b>	<b>(24,193,305)</b>	<b>13,321,694</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>46,052,651</b>	<b>32,730,957</b>
<b>Cash and cash equivalents at end of the year</b>	<b>\$ 21,859,346</b>	<b>\$ 46,052,651</b>

(Continued)

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

**The Water Works Board of the City of Birmingham  
Statements of Cash Flows—Enterprise Fund (Continued)**

<i>For the years ended December 31,</i>	<b>2022</b>	2021 - <i>Restated</i>
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided by (Used in) Operating Activities</b>		
Operating income	\$ 56,102,151	\$ 61,995,486
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Depreciation	31,776,243	31,478,868
Provision for bad debts	4,541,682	1,046,626
Miscellaneous nonoperating expenses	599,985	1,212,059
Changes in operating assets and liabilities		
Customer accounts receivable	(21,322,971)	9,457,402
Unbilled water revenue	1,930,288	(3,526,312)
Other receivables	347,233	942,245
Lease receivable	52,110	(454,543)
Materials and supplies	(1,766,892)	(1,015,568)
Prepaid expenses	(753,481)	(384,351)
Net pension liability and related deferred inflows and outflows	3,037,341	(4,476,241)
Net OPEB liability and related deferred inflows and outflows	(236,817)	(1,281,839)
Accounts payable, including contract retentions	1,763,951	2,485,800
General taxes payable	226,530	(51,593)
Accrued expenses (including compensated absences and workers compensation reserve)	680,950	5,085,716
Lease deferred inflow	(43,629)	454,543
Customer guarantee deposits	913,600	2,606,790
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 77,848,274</b>	<b>\$ 105,575,088</b>

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

**The Water Works Board of the City of Birmingham  
Statements of Fiduciary Net Position—Pension Trust Fund**

<i>December 31,</i>	<b>2022</b>	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 3,847,176	\$ 6,523,027
Investments, at market	164,529,914	190,470,897
Accrued interest and dividends receivable	111,898	88,341
<b>Total assets</b>	<b>168,488,988</b>	197,082,265
<b>Liabilities and Net Position</b>		
Total liabilities	-	59,883
<b>Net position held in trust for pension benefits</b>	<b>\$ 168,488,988</b>	\$ 197,022,382

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

**The Water Works Board of the City of Birmingham**  
**Statements of Changes in Fiduciary Net Position—Pension Trust Fund**

For the years ended December 31,	2022	2021
Net position held in trust for pension benefits at beginning of the year	\$ 197,022,382	\$ 176,825,611
Additions		
Employer contributions	6,158,561	5,921,693
Employee contributions	3,180,381	3,027,756
Investment income	2,763,735	2,501,989
Net realized gain (loss) on sale of assets	4,815,902	16,319,095
Changes in unrealized appreciation (depreciation)	(30,739,652)	6,413,880
Total additions, net	(13,821,073)	34,184,413
Deductions		
Distributions to participants	13,965,168	13,270,142
Administrative expenses	747,153	717,500
Total deductions	14,712,321	13,987,642
Net increase (decrease)	(28,533,394)	20,196,771
Total net position held in trust for pension benefits at end of the year	\$ 168,488,988	\$ 197,022,382

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

**The Water Works Board of the City of Birmingham  
Statements of Fiduciary Net Position—OPEB Trust Fund**

<i>December 31,</i>	<b>2022</b>	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 1,789,446	2,675,013
Investments, at market	30,099,435	34,392,095
Accrued interest and dividends	18,092	10,485
<b>Total assets</b>	<b>\$ 31,906,973</b>	37,077,593
<b>Liabilities and Net Position</b>		
Total liabilities	-	33,603
<b>Net position held in trust for pension benefits</b>	<b>\$ 31,906,973</b>	37,043,990

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

**The Water Works Board of the City of Birmingham**  
**Statements of Changes in Fiduciary Net Position—OPEB Trust Fund**

<i>For the years ended December 31,</i>	<b>2022</b>	2021
Net position held in trust for pension benefits at beginning of the year	\$ <b>37,043,990</b>	\$ 34,255,150
Additions		
Employer contributions	<b>1,385,801</b>	891,926
Employee contributions		-
Investment income	<b>551,230</b>	475,656
Net realized gain (loss) on sale of assets	<b>700,936</b>	3,123,681
Changes in unrealized appreciation (depreciation)	<b>(5,376,981)</b>	734,116
<b>Total additions, net</b>	<b>(2,739,014)</b>	5,225,379
Deductions		
Benefits	<b>2,728,778</b>	2,741,890
Premiums	<b>(553,830)</b>	(501,686)
Administrative expenses	<b>223,055</b>	196,335
<b>Total deductions, net</b>	<b>2,398,003</b>	2,436,539
<b>Net increase (decrease)</b>	<b>(5,137,017)</b>	2,788,840
<b>Total net position held in trust for OPEB benefits, at end of the year</b>	<b>\$ 31,906,973</b>	\$ 37,043,990

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

## The Water Works Board of the City of Birmingham Notes to Financial Statements

### 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 Reporting 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 ended 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 Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Net Position***

Net position is classified and reported in three components: net investment in capital assets; restricted net position; and unrestricted net position. These 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 assets 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 Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Fund Accounting*

##### 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.

## The Water Works Board of the City of Birmingham Notes to Financial Statements

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### ***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.

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

#### ***Trusted Funds***

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

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

#### ***Investments***

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

#### ***Cash and Cash Equivalents***

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

## The Water Works Board of the City of Birmingham Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***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 enterprise fund statements of revenues, expenses and changes in net position.

#### ***Materials and Supplies***

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

#### ***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 and 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 deferred charges on the refunding on debt, deferred outflows relating to pension activities and deferred outflows 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 three items that qualify for reporting in this category. They are deferred inflows relating to pension activities, deferred inflows relating to OPEB activities and deferred inflows related to leases.

## The Water Works Board of the City of Birmingham Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***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.

#### ***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.

#### ***Subsequent Events***

Management has evaluated subsequent events and their potential effects on these financial statements through June 23, 2023, the audit report date.

#### ***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.

#### ***Reclassifications***

Reclassifications have been made to prior year amounts to match current year presentation.

## The Water Works Board of the City of Birmingham Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Recently Issued and Implemented Accounting Pronouncements***

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. See Notes 14 and 15 for additional information.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The Statement is being applied prospectively, therefore, there were no significant impacts of implementing this Statement.

In May 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this Statement are to address financial reporting issues that result from the replacement of an Interbank Offered Rate (IBOR) by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment and clarification of the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; replacing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of an interest rate swap with a Secured Overnight Financing Rate or the Effective Federal Funds Rate; and providing exceptions to the lease modifications guidance in Statement 87 for lease contracts that are amended solely to replace an IBOR used to determine variable payments. There were no significant impacts of implementing this Statement.

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and

## The Water Works Board of the City of Birmingham Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Recently Issued and Implemented Accounting Pronouncements (Continued)*

financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. There were no significant impacts of implementing this Statement.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2021.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. The requirements of this statement are effective for fiscal years beginning after June 15, 2022.

## The Water Works Board of the City of Birmingham Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Recently Issued and Implemented Accounting Pronouncements (Continued)*

GASB Statement No. 100, *Accounting Changes and Error Corrections* – This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 101, *Compensated Absences* – The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

The Board is evaluating the requirements of the above statements and the impact on reporting.

### 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 Water Works Board of the City of Birmingham Notes to Financial Statements

### Note 2: CASH AND CASH EQUIVALENTS (Continued)

The carrying amount of cash bank balances at December 31, 2022 and 2021 totaled \$21,859,346 and \$46,052,651, respectively, and the bank balances were \$22,955,018 and \$47,450,495, 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, 2022 and 2021 are held in a qualified public depository.

### Note 3: INVESTMENTS

#### *Assumptions*

The Board's Bond Indenture limits trustee investments to "eligible investments." The Board has not adopted a formal investment policy for trustee investments or other Board investments. Eligible investments include any of the following: federal obligations, eligible bank obligations, obligations issued by any state of the United States of America and publicly traded securities.

#### *Disclosures*

As of December 31, 2022, 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
Trusteed Fund Securities					
Truist Money Market	\$ 37,770,274	\$ 37,770,274	\$ -	\$ -	-
US Agency Notes	20,731,732	20,731,732	-	-	-
Fixed Income Corporate Issues - Guaranteed					
Investment Contracts	125,661,980	21,964,604	100,748,349	2,949,027	-
<b>Total</b>	<b>\$184,163,986</b>	<b>\$ 80,466,610</b>	<b>\$100,748,349</b>	<b>\$ 2,949,027</b>	<b>\$ -</b>

## The Water Works Board of the City of Birmingham Notes to Financial Statements

### Note 3: INVESTMENTS (Continued)

#### Disclosures (Continued)

As of December 31, 2021, 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
Trusteed Fund Securities					
Truist Money Market	\$ 80,048,144	\$ 80,048,144	\$ -	\$ -	\$ -
Fixed Income Corporate					
Issues - Guaranteed					
Investment Contracts	104,269,766	50,059,049	51,261,690	2,949,027	-
<b>Total</b>	<b>\$184,317,910</b>	<b>\$ 130,107,193</b>	<b>\$ 51,261,690</b>	<b>\$ 2,949,027</b>	<b>\$ -</b>

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

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

As of December 31, 2022, the Truist Bank was rated AAA by Standard and Poor's and AAA-mf by Moody's. The Guaranteed Investment Contracts investments are unrated.

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

**The Water Works Board of the City of Birmingham**  
**Notes to Financial Statements**

**Note 3: INVESTMENTS (Continued)**

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 measure 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 identifiable financial assets or liabilities are accessible at the measurement date.

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

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

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

The following tables present the Board’s financial assets carried at fair value by level within the valuation hierarchy as of December 31, 2022 and 2021:

	<b>2022</b>	Level 1	Level 2	Level 3
Trusted Fund Securities				
Trust Money Market	\$ 37,770,274	\$ 37,770,274	\$ -	-
US Agency Notes	20,731,732	20,731,732	-	-
Fixed Income Corporate Issues - Guaranteed				
Investment Contracts	125,661,980	-	121,512,953	4,149,027
<b>Total</b>	<b>\$ 184,163,986</b>	<b>\$ 58,502,006</b>	<b>\$ 121,512,953</b>	<b>\$ 4,149,027</b>

**The Water Works Board of the City of Birmingham  
Notes to Financial Statements**

**Note 3: INVESTMENTS (Continued)**

**Fair Value Measurement (Continued)**

	2021	Level 1	Level 2	Level 3
Trusted Fund Securities				
Truist Money Market	\$ 80,048,144	\$ 80,048,144	\$ -	\$ -
Fixed Income Corporate Issues - Guaranteed				
Investment Contracts	104,269,766	-	100,120,739	4,149,027
<b>Total</b>	<b>\$ 184,317,910</b>	<b>\$ 80,048,144</b>	<b>\$ 100,120,739</b>	<b>\$ 4,149,027</b>

**Note 4: UTILITY PLANT**

Balances of major classes of utility plant assets and accumulated depreciation at December 31, 2022 and changes therein for the year then ended are as follows:

	Balance at December 31, 2021	Additions	Transfers	Deletions	Balance at December 31, 2022
Nondepreciable					
Land and land rights	\$ 40,099,377	\$ 436,747	\$ -	\$ -	\$ 40,536,124
Construction-in-progress	140,648,971	29,068,045	-	-	169,717,016
Depreciable					
Structures and improvements	222,476,068	1,182,225			223,658,293
Equipment	1,055,959,706	18,320,996	-	(695,572)	1,073,585,130
Total utility plant in service	1,459,184,122	49,008,013	-	(695,572)	1,507,496,563
Less accumulated depreciation	(476,794,031)	(31,776,243)	-	513,506	(508,056,768)
<b>Net utility plant</b>	<b>\$ 982,390,091</b>	<b>\$ 17,231,770</b>	<b>\$ -</b>	<b>\$ (182,066)</b>	<b>\$ 999,439,795</b>

## The Water Works Board of the City of Birmingham Notes to Financial Statements

### Note 4: UTILITY PLANT (Continued)

Balances of major classes of utility plant assets and accumulated depreciation at December 31, 2021 and changes therein for the year then ended are as follows:

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

### Note 5: LONG-TERM OBLIGATIONS

#### *Senior Securities Outstanding under the Senior Indenture*

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

## The Water Works Board of the City of Birmingham Notes to Financial Statements

### Note 5: LONG-TERM OBLIGATIONS (Continued)

#### *Senior Securities Outstanding under the Senior Indenture (Continued)*

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 the Water Revenue Bonds, Series 2012-A (the Series 2012-A Bonds), which were outstanding in the aggregate principal 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 principal 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 principal amount of \$73,830,000; and (b) paying the cost of issuing the 2019 Series. The Bonds were issues 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.

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 were payable solely out of and secured by a pledge and assignment of the revenues attributable to the system. The Bonds were issued as a premium of \$29,046,288. After issuance costs and underwriter discounts of \$1,042,503, \$8,112,252 was transferred to the Debt Service Fund and the remaining \$193,306,038 was deposited into the 2016-A Bonds Escrow Fund.

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

## The Water Works Board of the City of Birmingham Notes to Financial Statements

### Note 5: LONG-TERM OBLIGATIONS (Continued)

#### *Senior Securities Outstanding under the Senior Indenture (Continued)*

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 into 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 are payable solely out of and secured by a pledge and assignment of the revenues attributable to the system. The Bonds were issued 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.

#### *Subordinate Securities Outstanding under the Subordinate Indenture*

On September 25, 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 2015 through 2035.

On February 1, 2013, the Board issued Subordinate Water Revenue Bonds, Series 2013-DWSRF-DL. The Bonds were issued in the aggregate principal amount of \$5,780,000 for the purpose of funding certain capital improvements to the System. The 2013 SRF Bonds are presently outstanding in the aggregate principal amount of \$4,460,000 and mature or are subject to mandatory redemption in the years 2014 through 2033.

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

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

**The Water Works Board of the City of Birmingham  
Notes to Financial Statements**

**Note 5: LONG-TERM OBLIGATIONS (Continued)**

***Subordinate Securities Outstanding under the Subordinate Indenture (Continued)***

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

	2022	2021
<b>Senior Bonds</b>		
Series 2015-A Water Revenue Refunding Bonds, issued April 14, 2015, 3.00% to 5.00%, due 2016 through 2042	\$ 17,920,000	\$ 21,390,000
Series 2015-B Water Revenue Bonds, issued April 14, 2015, 3.00% to 5.00%, due 2016 through 2045	14,450,000	15,310,000
Series 2016-A Water Revenue Bonds, issued October 4, 2016, 4.00% to 5.00%, due 2020 through 2041	105,065,000	108,090,000
Series 2018 Water Revenue Bonds, issued November 7, 2018, 5% due 2020 through 2039	43,930,000	45,830,000
Series 2019 Water Revenue Bonds, issued November 5, 2019, 1.925% to 3.573 % due 2020 through 2045	322,035,000	332,515,000
Series 2021 Water Revenue Bonds, issued July 14, 2021, 0.207% to 2.860% due 2020 through 2043	469,785,000	480,995,000
<b>Subordinate Bonds and Loans</b>		
Series 2011 Subordinate Water Revenue Bonds, issued February 25, 2011, 3.00% to 5.00%, due 2014 through 2031	1,075,000	1,175,000
Series 2012 Subordinate Water Revenue Bonds, issued February 15, 2012, 2.00% to 5.00%, due 2014 through 2032	780,000	845,000
Series 2013 Subordinate Water Revenue Bonds, issued February 1, 2013, 2.00% to 5.00%, due 2014 through 2033	3,565,000	3,840,000
Series 2014 Subordinate Water Revenue Bonds, issued September 25, 2014, 2.45%, due 2016 through 2035	435,000	465,000
<b>Total bonds</b>	<b>\$ 979,040,000</b>	<b>\$ 1,010,455,000</b>



## The Water Works Board of the City of Birmingham Notes to Financial Statements

### Note 5: LONG-TERM OBLIGATIONS (Continued)

Activity during 2022 related to long-term debt principal obligations is as follows:

	Balance at December 31, 2021	Additions	Payments	Balance at December 31, 2022	Due Within One Year
<b>Publicly Sold Bonds</b>					
Water Works Board Subordinate Series 2011	\$ 1,175,000	\$ -	\$ (100,000)	\$ 1,075,000	\$ 105,000
Water Works Board Subordinate Series 2012	845,000	-	(65,000)	780,000	70,000
Water Works Board Subordinate Series 2013	3,840,000	-	(275,000)	3,565,000	280,000
Water Works Board Subordinate Series 2014	465,000	-	(30,000)	435,000	30,000
Water Works Board Series 2015-A	21,390,000	-	(3,470,000)	17,920,000	3,650,000
Water Works Board Series 2015-B	15,310,000	-	(860,000)	14,450,000	910,000
Water Works Board Series 2016-A	108,090,000	-	(3,025,000)	105,065,000	3,185,000
Water Works Board Series 2018	45,830,000	-	(1,900,000)	43,930,000	2,005,000
Water Works Board Series 2019	332,515,000	-	(10,480,000)	322,035,000	10,700,000
Water Works Board Series 2021	480,995,000	-	(11,210,000)	469,785,000	14,620,000
	1,010,455,000	-	(31,415,000)	979,040,000	35,555,000
Unamortized Bond Premium	20,591,652	-	(2,642,735)	17,948,917	2,444,350
<b>Total Publicly Sold Bonds</b>	<b>1,031,046,652</b>	<b>-</b>	<b>(34,057,735)</b>	<b>996,988,917</b>	<b>37,999,350</b>
<b>Other Liabilities</b>					
Compensated absences	2,201,885	2,854,114	(2,750,691)	2,305,308	922,123
Workers' compensation reserve	1,647,082	188,945	-	1,836,027	667,453
Net pension liability	30,797,720	34,444,985	-	65,242,705	-
Net OPEB liability	3,223,729	1,909,573	-	5,133,302	-
<b>Total long-term obligations</b>	<b>\$1,068,917,068</b>	<b>\$ 39,397,617</b>	<b>\$ (36,808,426)</b>	<b>\$ 1,071,506,259</b>	<b>\$ 39,588,926</b>

## The Water Works Board of the City of Birmingham Notes to Financial Statements

### Note 5: LONG-TERM OBLIGATIONS (Continued)

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

	Balance at December 31, 2020	Additions	Payments	Balance at December 31, 2021	Due Within One Year
<b>Publicly Sold Bonds</b>					
Water Works and Sewer Board Series 2010-A	\$ 7,240,000	\$ -	\$ (7,240,000)	\$ -	\$ -
Water Works Board Series 2011	3,165,000		(3,165,000)	-	-
Water Works Board Subordinate Series 2011	1,275,000		(100,000)	1,175,000	100,000
Water Works Board Series 2012-A	16,100,000		(16,100,000)	-	-
Water Works Board Subordinate Series 2012	910,000		(65,000)	845,000	65,000
Water Works Board Series 2013-A	22,780,000		(22,780,000)	-	-
Water Works Board Subordinate Series 2013	4,105,000		(265,000)	3,840,000	275,000
Water Works Board Subordinate Series 2014	490,000		(25,000)	465,000	30,000
Water Works Board Series 2015-A	24,710,000		(3,320,000)	21,390,000	3,470,000
Water Works Board Series 2015-B	16,140,000		(830,000)	15,310,000	860,000
Water Works Board Series 2016-A	154,825,000		(46,735,000)	108,090,000	3,025,000
Water Works Board Series 2016-B	278,200,000		(278,200,000)	-	-
Water Works Board Series 2016-C	15,240,000		(15,240,000)	-	-
Water Works Board Series 2018	84,995,000		(39,165,000)	45,830,000	1,900,000
Water Works Board Series 2019	335,440,000		(2,925,000)	332,515,000	10,480,000
Water Works Board Series 2021	-	480,995,000	-	480,995,000	11,210,000
	965,615,000	480,995,000	(436,155,000)	1,010,455,000	31,415,000
Unamortized Bond Premium	77,195,170	-	(56,603,518)	20,591,652	2,642,735
<b>Total Publicly Sold Bonds</b>	<b>1,042,810,170</b>	<b>480,995,000</b>	<b>(492,758,518)</b>	<b>1,031,046,652</b>	<b>34,057,735</b>
<b>Other Liabilities</b>					
Compensated absences	2,290,184	2,865,366	(2,953,665)	2,201,885	880,754
Workers' compensation reserve	1,661,330	-	(14,248)	1,647,082	670,891
Net pension liability	47,053,458	-	(16,255,738)	30,797,720	-
Net OPEB liability	4,017,298	-	(793,569)	3,223,729	-
<b>Total long-term debt obligations</b>	<b>\$1,097,832,440</b>	<b>\$483,860,366</b>	<b>\$ (512,775,738)</b>	<b>\$ 1,068,917,068</b>	<b>\$ 35,609,380</b>

**The Water Works Board of the City of Birmingham**  
**Notes to Financial Statements**

**Note 5: LONG-TERM OBLIGATIONS (Continued)**

The aggregate maturities of long-term debt at December 31, 2022, are as follows:

<i>For the years ending December 31,</i>	Principal	Interest
2023	\$ 35,555,000	\$ 28,322,401
2024	36,370,000	27,508,441
2025	37,265,000	26,611,874
2026	38,330,000	25,544,578
2027	40,200,000	24,301,715
2028-2032	222,780,000	101,618,106
2033-2037	256,175,000	70,050,562
2038-2042	252,565,000	29,095,139
2042-2045	59,800,000	1,669,164
<b>Total</b>	<b>\$ 979,040,000</b>	<b>\$ 334,721,980</b>

**Bond Premium**

	2022	2021
Water Works Board Series 2015-A Premium	\$ 940,273	\$ 1,454,270
Water Works Board Series 2015-B Premium	1,084,373	1,224,100
Water Works Board Series 2016-A Premium	12,318,964	13,536,213
Water Works Board Series 2018 Premium	3,605,307	4,377,069
<b>Total</b>	<b>\$ 17,948,917</b>	<b>\$ 20,591,652</b>

**Optional Redemption Provisions**

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 Refunding Bonds are priced to the optional redemption date of January 1, 2027 at 100%.

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

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

## The Water Works Board of the City of Birmingham Notes to Financial Statements

### Note 5: LONG-TERM OBLIGATIONS (Continued)

#### *Optional Redemption Provisions (Continued)*

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

#### *Senior and Subordinate Securities Covenants*

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

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

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

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

#### *Bond Refundings*

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

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

## The Water Works Board of the City of Birmingham Notes to Financial Statements

### Note 5: LONG-TERM OBLIGATIONS (Continued)

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 agreement, all funds deposited in the trust accounts are invested in obligation 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, 2022, was approximately \$389,115,000.

The Board previously refunded its Series 2019 Senior Water Revenue Bonds. The principle outstanding on this defeased indebtedness at December 31, 2022, was approximately \$200,840,000.

### 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 cash and accrued interest, are as follows at 2022 and 2021:

	2022	2021
Debt service funds	\$ 49,324,804	\$ 45,272,512
Development, renewal and replacement funds	1,281,100	1,264,906
Revenue funds	130,609,054	134,831,464
Debt service reserve funds	2,949,028	2,949,028
<b>Total</b>	<b>\$ 184,163,986</b>	<b>\$ 184,317,910</b>

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

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

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

*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.

**The Water Works Board of the City of Birmingham**  
**Notes to Financial Statements**

**Note 6: TRUSTEED FUNDS – INVESTMENTS (Continued)**

*Debt Service Reserve Funds* – The debt service reserve funds are required to maintain one year's maximum debt service for the 2010-A, 2011, 2012-A, 2013-A, 2015-A, 2015-B, 2016-A, 2016-B, 2016-C, 2018, 2019 and 2021. 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 related 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, 2022 and 2021:

	2022	2021
Accounts payable	\$ 11,861,301	\$ 13,347,519
Agency payables	12,988,810	9,726,650
Contract retentions	1,623,341	1,601,843
Payroll related payables	1,402,822	1,092,589
Compensated absences	922,123	880,754
Accrued professional fees	88,750	99,000
Workers' compensation reserve	667,453	670,891
Other payables/accruals	5,778,916	5,723,806
<b>Total</b>	<b>\$ 35,333,516</b>	<b>\$ 33,143,052</b>

**Note 8: CHANGES IN NET INVESTMENT IN CAPITAL ASSETS**

The changes in net investment in capital assets are summarized as follows for the years ended December 31, 2022 and 2021:

	2022	2021
Balance at beginning of the year	\$ 17,939,583	\$ (37,514,994)
Increase in capital assets	17,049,704	24,992,297
Decrease in related debt	28,720,638	30,462,280
<b>Balance at end of the year</b>	<b>\$ 63,709,925</b>	<b>\$ 17,939,583</b>

## The Water Works Board of the City of Birmingham Notes to Financial Statements

### 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, PO 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 the Plan are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the 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 and 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. Investments 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 Financial Statements

### Note 9: EMPLOYEE BENEFIT PLANS (Continued)

#### Plan Description (Continued)

was established in 1951 and was funded under a group annuity contract issued by Metropolitan Life Insurance Company. In 1962, the Plan was amended and restated and all future benefits were funded through a trust fund. The Plan was amended and restated as of January 1, 1976, January 1, 1981, January 1, 1984, and January 1, 1989. Effective January 1, 2009, the Plan was further amended and restated to comply with any and all Federal laws and regulations applicable to the Plan.

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

#### Benefits Provided

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

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

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



**The Water Works Board of the City of Birmingham**  
**Notes to Financial Statements**

**Note 9: EMPLOYEE BENEFIT PLANS (Continued)**

**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 2022 and 2021. The Board is required to contribute at an actuarially determined rate. The Board made the decision to adopt a new funding policy for the fiscal year January 1, 2014 to December 31, 2014. The new funding policy is to contribute the employer's normal cost plus the unfunded actuarial accrued liability that is based on an effective amortization period, of approximately 16 years, determined based on a contribution schedule increasing 4% per year beginning with a contribution of \$4,500,000 for 2014. The Board funding policy for 2014 was to contribute the employer normal cost plus the unfunded actuarial accrued liability that is based on a 12-year level dollar amortization period. All contributions made during 2022 and 2021 were cash contributions. Administrative costs of the Plan are financed through investment earnings.

**Membership Data**

At December 31, 2022 and December 31, 2021, membership data for the pension plan is as follows:

<i>December 31,</i>	<b>2022</b>	2021
Retired participants and beneficiaries	<b>369</b>	361
Vested terminated participants	<b>8</b>	6
Active participants	<b>608</b>	603
<b>Total</b>	<b>985</b>	970

**Plan Fiduciary Net Position**

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

**Net Pension Liability**

The net pension liability (NPL) is the difference between the "Total Pension Liability" (TPL) and the Plan's "fiduciary net position" (FNP). The total pension liability (TPL) is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service, and automatic cost of living adjustments (COLA's). In addition, ad hoc COLAs are also included in the TPL to the extent they are substantively automatic. The FNP is determined on the same basis used by the pension plan. For the year ended December 31, 2022, the Board's net pension liability was measured as of December 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**The Water Works Board of the City of Birmingham**  
**Notes to Financial Statements**

**Note 9: EMPLOYEE BENEFIT PLANS (Continued)**

**Net Pension Liability (Continued)**

Measurement Date	<b>12/31/2022</b>	12/31/2021
Reporting Date	<b>12/31/2022</b>	12/31/2021
Total Pension Liability	<b>\$ 233,731,693</b>	\$ 227,820,102
Fiduciary Net Position	<b>168,488,988</b>	197,022,382
<b>Net Pension Liability</b>	<b>\$ 65,242,705</b>	<b>\$ 30,797,720</b>

Plan Fiduciary Net Position as a percentage of Total Pension Liability	<b>72.09%</b>	86.48%
---	---------------	--------

**Schedule of Changes in Net Pension Liability**

The changes in Net Pension Liability for the fiscal year ended December 31, 2022, are as follows:

	Total Pension Liability (a)	Increase/(Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
<b>Balance at December 31, 2021</b>	<b>\$ 227,820,102</b>	<b>\$ 197,022,382</b>	<b>\$ 30,797,720</b>
Changes for the year			
Service cost	3,895,950	-	3,895,950
Interest	15,739,610	-	15,739,610
Changes of assumptions	-	-	-
Differences between expected and actual experience	241,199	-	241,199
Contributions - employer	-	6,158,561	(6,158,561)
Contributions - employee	-	3,180,381	(3,180,381)
Net investment income	-	(23,819,739)	23,819,739
Benefit payments, including refunds of employee contributions	(13,965,168)	(13,965,168)	-
Administrative expense	-	(87,429)	87,429
<b>Net changes</b>	<b>5,911,591</b>	<b>(28,533,394)</b>	<b>34,444,985</b>
<b>Balance at December 31, 2022</b>	<b>\$ 233,731,693</b>	<b>\$ 168,488,988</b>	<b>\$ 65,242,705</b>

**The Water Works Board of the City of Birmingham**  
**Notes to Financial Statements**

**Note 9: EMPLOYEE BENEFIT PLANS (Continued)**

**Schedule of Changes in Net Pension Liability (Continued)**

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

	Total Pension Liability (a)	Increase/(Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
<b>Balance at December 31, 2020</b>	\$ 223,879,069	\$ 176,825,611	\$ 47,053,458
Changes for the year			
Service cost	4,268,734	-	4,268,734
Interest	15,513,746	-	15,513,746
Changes of assumptions	-	-	-
Differences between expected and actual experience	(2,571,305)	-	(2,571,305)
Contributions - employer	-	5,921,693	(5,921,693)
Contributions - employee	-	3,027,756	(3,027,756)
Net investment income	-	24,616,967	(24,616,967)
Benefit payments, including refunds of employee contributions	(13,270,142)	(13,270,142)	-
Administrative expense	-	(99,503)	99,503
<b>Net changes</b>	<b>3,941,033</b>	<b>20,196,771</b>	<b>(16,255,738)</b>
<b>Balance at December 31, 2021</b>	<b>\$ 227,820,102</b>	<b>\$ 197,022,382</b>	<b>\$ 30,797,720</b>

**Discount Rate**

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

**The Water Works Board of the City of Birmingham  
Notes to Financial Statements**

**Note 9: EMPLOYEE BENEFIT PLANS (Continued)**

**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:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability - 12/31/2022	\$ 91,568,782	\$ 65,242,705	\$ 43,136,626

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability - 12/31/2021	\$ 59,738,691	\$ 30,797,720	\$ 11,351,314

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

For the fiscal year ended December 31, 2022, the Board recognized pension expense of \$9,195,902. Deferred outflows of resources and deferred inflows of resources reported by the Board at December 31, 2022, are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b><i>December 31, 2022</i></b>		
Differences between expected and actual experience	\$ 3,061,860	\$ 2,789,914
Changes of assumptions	4,894,023	-
Net difference between projected and actual earnings on pension plan investments	16,253,280	-
Total	\$ 24,209,163	\$ 2,789,914

**The Water Works Board of the City of Birmingham  
Notes to Financial Statements**

**Note 9: EMPLOYEE BENEFIT PLANS (Continued)**

**Pension Expense and Schedule of Deferred Outflows and Inflows of Resources (Continued)**

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

<i>December 31, 2021</i>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,809,980	\$ 3,510,324
Changes of assumptions	6,855,483	-
Net difference between projected and actual earnings on pension plan investments	-	17,143,534
<b>Total</b>	<b>\$ 10,665,463</b>	<b>\$ 20,653,858</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at December 31, 2022 will be recognized in pension expense as follows:

*For the years ending December 31,*

2023	\$ 1,859,153
2024	5,780,949
2025	6,993,942
2026	7,027,291
2027	(262,341)
Thereafter	20,255
<b>Total</b>	<b>\$ 21,419,249</b>

**The Water Works Board of the City of Birmingham  
Notes to Financial Statements**

**Note 9: EMPLOYEE BENEFIT PLANS (Continued)**

**Pension Expense and Schedule of Deferred Outflows and Inflows of Resources (Continued)**

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

The actuarial assumptions used in the December 31, 2022 measurements were based on the results of an experience study for the period January 1, 2014 to December 31, 2018.

**The Water Works Board of the City of Birmingham  
Notes to Financial Statements**

**Note 9: EMPLOYEE BENEFIT PLANS (Continued)**

**Pension Expense and Schedule of Deferred Outflows and Inflows of Resources (Continued)**

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, 2022, are summarized in the following table:

	Expected Nominal Rate of Return	Expected Real Rate of Return	Allocation
Large Cap U.S. Equity	7.30%	4.89%	22.50%
Small Cap U.S. Equity	7.80%	5.38%	22.50%
International (Non-U.S.) Equity (Developed)	7.80%	5.38%	22.00%
Cash (Gov't)	3.50%	1.17%	3.00%
Core U.S. Fixed Income (Market Duration)	4.20%	1.86%	30.00%
<b>Total</b>			<b>100%</b>

**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.

## The Water Works Board of the City of Birmingham Notes to Financial Statements

### Note 10: OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

#### Plan Description (Continued)

*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.

*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.

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.



**The Water Works Board of the City of Birmingham  
Notes to Financial Statements**

**Note 10: OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)**

**Plan Description (Continued)**

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 2022. 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 active employees are not required to contribute to the OPEB plan.

**Net OPEB Liability**

The Net OPEB Liability was measured as of the following dates for reporting years December 31, 2022 and December 31, 2021 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of those dates:

Measurement Date	<b>12/31/2021</b>	12/31/2020
Reporting Date	<b>12/31/2022</b>	12/31/2021
Total OPEB Liability	\$ <b>42,177,292</b>	\$ 37,478,878
Fiduciary Net Position	<b>37,043,990</b>	34,255,149
<b>Net OPEB Liability</b>	<b>\$ 5,133,302</b>	<b>\$ 3,223,729</b>
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	<b>87.83%</b>	91.40%

**The Water Works Board of the City of Birmingham  
Notes to Financial Statements**

**Note 10: OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)**

**Net OPEB Liability (Continued)**

The changes in Net OPEB Liability for the fiscal year ended December 31, 2022, are as follows:

	Total OPEB Liability (a)	Increase/(Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
<b>Balance at December 31, 2021</b>	\$ 37,478,879	\$ 34,255,150	\$ 3,223,729
Changes for the year			
Service cost	940,028	-	940,028
Interest	2,612,241	-	2,612,241
Changes of assumptions	3,094,118	-	3,094,118
Differences between expected and actual experience	292,230	-	292,230
Contributions - employer	-	891,926	(891,926)
Net investment income	-	4,333,453	(4,333,453)
Benefit payments, including refunds of employee contributions	(2,240,204)	(2,240,204)	-
Administrative expense	-	(196,335)	196,335
<b>Net changes</b>	<b>4,698,413</b>	<b>2,788,840</b>	<b>1,909,573</b>
<b>Balance at December 31, 2022</b>	<b>\$ 42,177,292</b>	<b>\$ 37,043,990</b>	<b>\$ 5,133,302</b>

**The Water Works Board of the City of Birmingham  
Notes to Financial Statements**

**Note 10: OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)**

**Net OPEB Liability (Continued)**

The changes in Net OPEB Liability for the fiscal year ended December 31, 2021, are as follows:

	Total OPEB Liability (a)	Increase/(Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
<b>Balance at December 31, 2020</b>	\$ 36,382,368	\$ 32,365,069	\$ 4,017,299
Changes for the year			
Service cost	696,658	-	696,658
Interest	2,517,081	-	2,517,081
Changes of assumptions	-	-	-
Differences between expected and actual experience	162,784	-	162,784
Contributions - employer	-	1,248,331	(1,248,331)
Net investment income	-	3,091,444	(3,091,444)
Benefit payments, including refunds of employee contributions	(2,280,012)	(2,280,012)	-
Administrative expense	-	(169,682)	169,682
<b>Net changes</b>	<b>1,096,511</b>	<b>1,890,081</b>	<b>(793,570)</b>
<b>Balance at December 31, 2021</b>	<b>\$ 37,478,879</b>	<b>\$ 34,255,150</b>	<b>\$ 3,223,729</b>

**The Water Works Board of the City of Birmingham  
Notes to Financial Statements**

**Note 10: OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)**

**Actuarial Assumptions**

The total OPEB liability was measured by an actuarial valuation as of December 31, 2021 using the following actuarial assumptions applied to all periods included in the measurement unless otherwise specified:

<b>Schedule of Assumption</b>	<b>OPEB Plan</b>
Inflation	2.50%
Salary increases	3.25% - 8.75%, based on years of service
Discount rate	7.00%
Healthcare cost trend rates	
Under 65 combined medical and vision	Grading period of 11 years & an ultimate rate of 4.5 %
Over 65 combined medical and vision	Grading period of 11 years & an ultimate rate of 4.5 %
Prescription drug	Grading period of 11 years & an ultimate rate of 4.5 %
Dental	4.50%
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 MP2018.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses. The target allocation and projected arithmetic real rates of return for each major asset class, after deduction inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions are summarized below:

**The Water Works Board of the City of Birmingham  
Notes to Financial Statements**

**Note 10: OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)**

**Actuarial Assumptions**

	Expected Nominal Rate of Return	Expected Real Rate of Return	Allocation
Large Cap U.S. Equity	6.90%	4.60%	27.00%
Small Cap U.S. Equity	6.90%	4.60%	27.00%
International (Non-U.S.) Equity (Developed)	1.90%	-0.29%	14.00%
Cash (Gov't)	1.90%	-0.29%	2.00%
Core U.S. Fixed Income (Market Duration)	2.50%	0.29%	30.00%
<b>Total</b>			<b>100%</b>

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
<b>Net OPEB Liability - 12/31/2022</b>	<b>\$ 9,483,376</b>	<b>\$ 5,133,302</b>	<b>\$ 1,395,105</b>

  

	1% Decrease	Current Health Care Cost Trend	1% Increase
<b>Net OPEB Liability - 12/31/2022</b>	<b>\$ 2,033,625</b>	<b>\$ 5,133,302</b>	<b>\$ 8,539,512</b>

**The Water Works Board of the City of Birmingham  
Notes to Financial Statements**

**Note 10: OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)**

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability - 12/31/2021	\$ 6,866,526	\$ 3,223,729	\$ (127,366)

	1% Decrease	Current Health Care	1% Increase
Net OPEB Liability - 12/31/2021	\$ 443,207	\$ 3,223,729	\$ 6,108,367

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

For the fiscal year ended December 31, 2022, the Board recognized OPEB expense of \$1,148,984. Deferred outflows of resources and deferred inflows of resources reported by the Board at December 31, 2022, are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,893,912	\$ 1,087,488
Changes of assumptions	2,688,066	2,954,700
Net difference between projected and actual earnings on pension plan investments	-	2,766,181
Employer contributions subsequent to the measurement date	1,385,801	-
<b>Total</b>	<b>\$ 8,967,779</b>	<b>\$ 6,808,369</b>

**The Water Works Board of the City of Birmingham  
Notes to Financial Statements**

**Note 10: OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)**

**OPEB Expense and Schedule of Deferred Outflows and Inflow of Resources (Continued)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,787,909	\$ 1,359,360
Changes of assumptions	-	3,693,375
Net difference between projected and actual earnings on pension plan investments	-	1,614,080
Employer contributions subsequent to the measurement date	891,926	-
<b>Total</b>	<b>\$ 6,679,835</b>	<b>\$ 6,666,815</b>

The \$1,385,801 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to December 31, 2022 will be recognized in OPEB expense as follows:

For the years ending December 31,

2023	\$ 102,131
2024	(735,798)
2025	10,414
2026	184,001
2027	492,925
Thereafter	719,936
<b>Total</b>	<b>\$ 773,609</b>

## The Water Works Board of the City of Birmingham Notes to Financial Statements

### **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 enterprise fund statements of net position.

### **Note 12: COMMITMENTS AND CONTINGENCIES**

#### ***Litigation***

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

#### ***Self-Insurance***

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

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

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, 2022 and 2021. The end of year accrual is included in accrued expenses in the accompanying statements of net position - enterprise fund.



**The Water Works Board of the City of Birmingham**  
**Notes to Financial Statements**

**Note 12: COMMITMENTS AND CONTINGENCIES (Continued)**

	2022	2021
Beginning of the year accrual	\$ 1,647,082	\$ 1,661,330
Claims expense	9,340,075	7,145,988
Claims paid	(9,151,130)	(7,160,236)
End of the year accrual	\$ 1,836,027	\$ 1,647,082

At December 31, 2022, commitments for capital expenditures totaled approximately \$21.21 million.

**Note 13: AGENCY AGREEMENTS**

The Board, in an agreement with Jefferson County, Alabama (the County) and as provided by State of Alabama law, collects 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 remits weekly to the County all sewer service charges collected, and it bills the County for the cost of collecting such charges which, under the agreement with the County, includes 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.

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.

**The Water Works Board of the City of Birmingham**  
**Notes to Financial Statements**

**Note 13: AGENCY AGREEMENTS (Continued)**

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, 2022:

	Sewer Charges		State of Alabama Utility Taxes
<b>Amounts Billed/Received</b>			
Jefferson County	\$ 203,839,481	\$ -	\$ -
City of Hoover	-	4,265,974	-
SouthWest Water	-	8,861,164	-
Alabama Utilities	-	1,321,367	-
Phoenix	-	361,944	-
State of Alabama - utility taxes	-	-	6,942,608
<b>Total amounts billed/received</b>	<b>203,839,481</b>	<b>14,810,449</b>	<b>6,942,608</b>
<b>Amounts Disbursed</b>			
Jefferson County	185,305,700	-	-
City of Hoover	-	4,077,479	-
SouthWest Water	-	8,488,866	-
Alabama Utilities	-	1,315,561	-
Phoenix	-	361,836	-
State of Alabama - utility taxes	-	-	6,818,857
<b>Total amounts disbursed</b>	<b>185,305,700</b>	<b>14,243,742</b>	<b>6,818,857</b>
Billings/Receipts less disbursements	18,533,781	566,707	123,751
BWVB fee - Jefferson County revised agreement	(15,838,328)	-	-
Balance due at beginning of the year	9,676,783	49,867	332,925
<b>Balance due at end of the year</b>	<b>\$ 12,372,236</b>	<b>\$ 616,574</b>	<b>\$ 456,676</b>
<b>Cost of Collecting Charges Billed</b>			
Jefferson County	\$ 15,838,328	\$ -	-
City of Hoover	\$ -	\$ 231,454	-
SouthWest Water	\$ -	\$ 347,749	-
Alabama Utilities	\$ -	\$ 55,492	-
Phoenix	\$ -	\$ 13,632	-

**The Water Works Board of the City of Birmingham**  
**Notes to Financial Statements**

**Note 13: AGENCY AGREEMENTS (Continued)**

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, 2021:

	Sewer Charges		State of Alabama Utility Taxes
<b>Amounts Billed/Received</b>			
Jefferson County	\$ 178,338,529	\$ -	\$ -
City of Hoover	-	3,288,016	-
SouthWest Water	-	7,785,564	-
Alabama Utilities	-	1,298,170	-
Phoenix	-	341,092	-
State of Alabama - utility taxes	-	-	6,510,518
<b>Total amounts billed/received</b>	<b>178,338,529</b>	<b>12,712,842</b>	<b>6,510,518</b>
<b>Amounts Disbursed</b>			
Jefferson County	164,183,168	-	-
City of Hoover	-	3,442,832	-
SouthWest Water	-	8,144,838	-
Alabama Utilities	-	1,307,943	-
Phoenix	-	336,932	-
State of Alabama - utility taxes	-	-	6,598,882
<b>Total amounts disbursed</b>	<b>164,183,168</b>	<b>13,232,545</b>	<b>6,598,882</b>
Billings/Receipts less disbursements	14,155,361	(519,703)	(88,364)
BWWB fee - Jefferson County revised agreement	(13,856,904)	-	-
Balance due at beginning of the year	9,378,326	569,570	421,289
<b>Balance due at end of the year</b>	<b>\$ 9,676,783</b>	<b>\$ 49,867</b>	<b>\$ 332,925</b>
<b>Cost of collecting charges billed:</b>			
Jefferson County	\$ 13,856,904	\$ -	
City of Hoover	\$ -	\$ 215,612	
SouthWest Water	\$ -	\$ 316,838	
Alabama Utilities	\$ -	\$ 54,257	
Phoenix	\$ -	\$ 13,464	

## The Water Works Board of the City of Birmingham Notes to Financial Statements

### **Note 14: LEASES**

The Board is party to various license agreements (“recreational site agreements”), which are accounted for as leases under GASB 87. The license agreements include the opportunity for an annual renewal at the option of the licensee. The Board has determined that it is reasonably certain that each licensee will exercise the renewal option for the remainder of their lifetime. The Board estimated average life expectancy in determining the license term for each agreement. The license agreements can be transferred to a family member or heir; however, it is not reasonably certain that this will occur; as a result, such transfers are excluded from consideration of the license term. At that time, a new license term will be estimated based upon the current licensee. License payments are approximately \$2,000 per year. The incremental borrowing rate used to calculate the initial license receivable was 5.00%. The Board recorded \$48,441 of license revenue during 2022.

The Board is also party to an operating agreement and license for operation of the Lake Purdy boat landing, which is accounted for as a lease under GASB 87. The initial lease term is for a period of seven (7) years and eleven (11) months. The agreement includes an option to extend at the end of the initial lease term. However, both the lessee and lessor must agree to extend. As such, this is excluded from the calculation of the lease term. Lease payments are \$833 per month. The incremental borrowing rate used to calculate the initial lease receivable was 5.00%. The Board recorded \$11,118 of lease revenue during 2022.

The Board recorded an initial lease receivable and deferred inflow of resources in the amount of \$454,543. As of December 31, 2022 the remaining balance of the lease receivable is \$402,433 and the remaining balance of deferred inflow is \$410,914.

The Board is also the lessor to various tower lease agreements. These have been excluded from the calculation of the lease receivable and related deferred inflow of resources because the agreements can be canceled at any time by either party. The Board records revenue for these leases in accordance with the agreement.

### **NOTE 15: PRIOR PERIOD ADJUSTMENT AND CHANGE IN ACCOUNTING PRINCIPAL**

During the year ended December 31, 2022 the Board recorded two prior period adjustments in order to correct errors in the December 31, 2021 financial statements:

- (1) – Adjust unbilled revenue to actual.
- (2) – Adjust deferred outflows of resources related to OPEB for employer contributions made subsequent to the measurement date of the total OPEB liability.

## The Water Works Board of the City of Birmingham Notes to Financial Statements

### NOTE 15: PRIOR PERIOD ADJUSTMENT AND CHANGE IN ACCOUNTING PRINCIPAL (Continued)

For the year ended December 31, 2022, the financial statements also include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. See Note 14 for additional information.

(3) – Effect of implementation of GASB 87.

See summary below of the effect of these error corrections and change in accounting principal on the financial statement amounts for December 31, 2021.

<i>December 31,</i>	2021 As Originally Stated	2021 <i>Restated</i>	Difference
<b>Assets</b>			
Current assets			
Unbilled water revenue	\$ 10,420,134	\$ 11,529,526	\$ 1,109,392 (1)
Lease receivable	-	44,957	44,957 (3)
Total current assets	10,420,134	11,574,483	1,154,349
Noncurrent assets			
Lease receivable	-	409,586	409,586 (3)
Total noncurrent assets	-	409,586	409,586
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to OPEB	5,787,909	6,679,835	891,926 (2)
Total deferred outflows	5,787,909	6,679,835	891,926
Total assets and deferred outflows of resources	\$ 16,208,043	\$ 18,663,904	\$ 2,455,861
<b>Deferred Inflows of Resources</b>			
Deferred inflow of resources related to leases	\$ -	\$ 454,543	\$ 454,543 (3)
<b>Net Position</b>			
Invested in capital assets, net of related debt	38,531,239	17,939,583	(20,591,656) *
Restricted for debt service	170,480,702	170,480,702	-
Unrestricted	(36,546,392)	(13,953,418)	22,592,974
Total net position	172,465,549	174,466,867	2,001,318
Total liabilities, deferred inflows of resources and net position	\$ 172,465,549	\$ 174,921,410	\$ 2,455,861

\* - The amount reported as "Invested in capital assets, net of related debt" for December 31, 2022 was also adjusted to include the effect of long term debt premium (in order to match current year presentation).

**The Water Works Board of the City of Birmingham**  
**Notes to Financial Statements**

**NOTE 15: PRIOR PERIOD ADJUSTMENT AND CHANGE IN ACCOUNTING PRINCIPAL (Continued)**

<i>December 31,</i>	2021 As Originally Stated	2021 <i>Restated</i>	Difference
<b>Operating Revenues</b>			
Sale of water			
Residential	\$ 100,455,824	\$ 100,279,319	\$ (176,505)
Commercial	57,169,021	57,720,799	551,778
Industrial	1,631,263	1,666,721	35,458
Other water utilities	2,891,498	2,888,412	(3,086)
Municipal	4,632,676	4,661,237	28,561
Public and private fire protection	5,852,320	6,544,110	691,790
Raw water	5,238,138	5,219,534	(18,604)
<b>Total sale of water</b>	<b>177,870,740</b>	<b>178,980,132</b>	<b>1,109,392 (1)</b>
<b>Operating Expenses</b>			
Administrative and general	31,347,082	30,455,156	(891,926) (2)
<b>Total operating expenses</b>	<b>31,347,082</b>	<b>30,455,156</b>	<b>(891,926)</b>
<b>Operating Income</b>	<b>146,523,658</b>	<b>148,524,976</b>	<b>2,001,318</b>
Change in net position	28,936,187	30,937,505	2,001,318
Net position at beginning of year	143,529,362	143,529,362	-
<b>Net position at end of the year</b>	<b>\$ 172,465,549</b>	<b>\$ 174,466,867</b>	<b>\$ 2,001,318</b>

For the statement of cash flows, some items were restated in the reconciliation of operating income to net cash provided by (used in) operating activities. However, there was no effect on the Board's total cash flows as a result of the above error corrections or change in accounting principal.

**REQUIRED SUPPLEMENTARY INFORMATION**

## The Water Works Board of the City of Birmingham Schedules of Changes in Net Pension Liability and Related Ratios

As of Measurement Date	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>								
Service cost	\$ 3,895,950	\$ 4,268,734	\$ 4,365,131	\$ 4,142,535	\$ 4,155,397	\$ 4,209,926	\$ 4,020,819	\$ 4,031,007
Interest	15,739,610	15,513,746	15,077,794	14,352,628	13,894,593	12,940,862	12,467,773	11,758,667
Changes in benefit terms	-	-	236,372	-	-	-	-	-
Differences between expected and actual experience	241,199	(2,571,305)	(841,148)	5,629,330	(1,106,675)	1,334,744	(642,645)	(23,124)
Changes of assumptions	-	-	-	11,419,385	-	-	-	2,640,952
Benefit payments, including refunds of employee contributions	(13,965,168)	(13,270,142)	(11,981,998)	(11,493,584)	(10,153,061)	(9,695,978)	(9,380,217)	(8,525,285)
Net change in total pension liability	5,911,591	3,941,033	6,856,151	24,050,294	6,790,254	8,789,554	6,465,730	9,882,217
Total pension liability - beginning	227,820,102	223,879,069	217,022,918	192,972,624	186,182,370	177,392,816	170,927,086	161,044,869
Total pension liability - ending (a)	\$ 233,731,693	\$ 227,820,102	\$ 223,879,069	\$ 217,022,918	\$ 192,972,624	\$ 186,182,370	\$ 177,392,816	\$ 170,927,086
<b>Plan Fiduciary Net Position</b>								
Contributions - employer	6,158,561	5,921,693	5,693,936	5,359,630	5,571,296	5,688,889	5,082,832	4,709,350
Contributions - employee	3,180,381	3,027,756	3,221,660	3,043,806	2,981,025	2,986,900	2,881,884	2,740,313
Net investment income	(23,819,739)	24,616,967	17,338,987	29,326,115	(9,456,995)	19,358,952	3,948,011	(396,188)
Benefit payments, including refunds of employee contributions	(13,965,168)	(13,270,142)	(11,981,998)	(11,493,584)	(10,153,061)	(9,695,978)	(9,380,217)	(8,525,285)
Administrative expenses	(87,429)	(99,503)	(75,040)	(140,339)	(69,940)	(229,456)	(283,769)	(348,393)
Net change in plan fiduciary net position	(28,533,394)	20,196,771	14,197,545	26,095,628	(11,127,675)	18,109,307	2,248,741	(1,820,203)
Plan net position - beginning	197,022,382	176,825,611	162,628,066	136,532,438	147,660,113	129,550,806	127,302,065	129,122,268
Plan net position - ending (b)	\$ 168,488,988	\$ 197,022,382	\$ 176,825,611	\$ 162,628,066	\$ 136,532,438	\$ 147,660,113	\$ 129,550,806	\$ 127,302,065
Net pension liability (asset) - ending (a) - (b)	\$ 65,242,705	\$ 30,797,720	\$ 47,053,458	\$ 54,394,852	\$ 56,440,186	\$ 38,522,257	\$ 47,842,010	\$ 43,625,021
Plan fiduciary net position as a percentage of total pension liability	72.09%	86.48%	78.98%	74.94%	70.75%	79.31%	73.03%	74.48%
Covered payroll *	\$ 49,311,015	\$ 46,003,980	\$ 44,959,595	\$ 42,830,369	\$ 43,106,349	\$ 40,567,065	\$ 38,854,522	\$ 37,771,701
Net pension liability (asset) as a percentage of covered employee payroll	132.31%	66.95%	104.66%	127.00%	130.93%	94.96%	123.13%	115.50%



## The Water Works Board of the City of Birmingham Schedule of Employer Pension Contributions

<i>For the years ending December 31,</i>	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions in	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2022	\$ 6,158,561	\$ 6,158,561	\$ -	\$ 49,311,015	12.49%
2021	5,921,693	5,921,693	-	46,003,980	12.87%
2020	5,693,936	5,693,936	-	44,959,595	12.66%
2019	5,474,938	5,359,630	115,308	42,830,369	12.51%
2018	5,264,364	5,571,296	(306,932)	43,106,349	12.92%
2017	5,061,888	5,688,889	(627,001)	40,567,065	14.02%
2016	4,867,200	5,082,832	(215,632)	38,854,522	13.08%
2015	4,680,000	4,709,350	(29,350)	37,771,701	12.47%

### Notes to Schedule

Validation date	Actuarial determined contribution rate is calculated using a January 1st valuation date as of the beginning of the fiscal year in which contributions are reported.
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Effective amortization period determined based on contribution schedule increasing 4% per year beginning with contribution of \$4,500,000 for 2014.
Remaining amortization period	11.6 years remaining as of January 1, 2023
Asset valuation method	Market value of assets less unrecognized returns beginning with the January 1, 2009 valuation. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.
Investment rate of return	7.00%, including inflation, net of pension plan investment expense
Inflation rate	2.50%
Projected salary increases	3.25% - 8.75%, based on years of service
Mortality	<p><b>Pre-retirement:</b> RP-2014 Employee Mortality Table projected generationally with scale MP2018.</p> <p><b>Healthy Annuitant:</b> RP-2014 Healthy Annuitant Mortality Table with rates multiplied by 1.25, projected generationally with scale MP2018.</p> <p><b>Disabled:</b> RP-2014 Disabled Retiree Mortality Table with rates multiplied by 1.25, projected generationally with Scale MP2018.</p>

## The Water Works Board of the City of Birmingham Schedule of Changes in Net OPEB Liability and Related Ratios

As of Measurement Date	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>					
Service cost	\$ 940,028	\$ 696,658	\$ 602,863	\$ 588,161	\$ 597,795
Interest	2,612,242	2,517,081	2,298,702	2,258,974	2,561,205
Changes in benefit terms	-	-	186,670	-	-
Differences between expected and actual experience	292,230	162,784	7,695,468	227,422	(2,446,851)
Changes of assumptions	3,094,118	-	(3,063,333)	-	(2,709,507)
Benefit payments, including refunds of employee contributions	(2,240,204)	(2,280,012)	(2,769,011)	(2,350,080)	(1,695,429)
Net change in total pension liability	4,698,414	1,096,511	4,951,359	724,477	(3,692,787)
Total OPEB liability - beginning	37,478,878	36,382,367	31,431,008	30,706,531	34,399,318
Total OPEB liability - ending (a)	\$ 42,177,292	\$ 37,478,878	\$ 36,382,367	\$ 31,431,008	\$ 30,706,531
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	891,926	1,248,331	760,988	2,458,406	1,695,429
Contributions - employee	-	-	-	-	-
Net investment income	4,333,454	3,091,443	5,805,454	(1,887,509)	3,805,272
Benefit payments, including refunds of employee contributions	(2,240,204)	(2,280,012)	(2,769,011)	(2,350,080)	(1,695,429)
Administrative expenses	(196,335)	(169,682)	(189,928)	(208,517)	-
Net change in plan fiduciary net position	2,788,841	1,890,080	3,607,503	(1,987,700)	3,805,272
Plan net position - beginning	34,255,149	32,365,069	28,757,566	30,745,266	26,939,994
Plan net position - ending (b)	\$ 37,043,990	\$ 34,255,149	\$ 32,365,069	\$ 28,757,566	\$ 30,745,266
Net OPEB liability - ending (a) - (b)	\$ 5,133,302	\$ 3,223,729	\$ 4,017,298	\$ 2,673,442	\$ (38,735)
Plan fiduciary net position as a percentage of total pension liability	87.83%	91.40%	88.96%	91.49%	100.13%
Covered payroll *	\$ 46,003,980	\$ 42,951,531	\$ 41,903,933	\$ 44,291,774	\$ 43,106,349
Net OPEB liability as a percentage of covered employee payroll	11.16%	7.51%	9.59%	6.04%	-0.09%

**The Water Works Board of the City of Birmingham**  
**Schedule of Employer OPEB Contributions**

<i>For the years ending December 31,</i>	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
2022	\$ 1,385,801	\$ 1,385,801	\$ -	\$ 49,311,015	2.81%
2021	891,926	891,926	-	46,003,980	1.94%
2020	1,248,331	1,248,331	-	42,951,531	2.91%
2019	760,988	760,988	-	41,903,933	1.82%
2018	685,477	2,458,406	(1,772,929)	44,291,774	5.55%

**Notes to Schedule**

Valuation date	Actuarial determined contribution rates are calculated as of the beginning of the fiscal year in which contributions are reported.
Actuarial cost method	Unit Credit
Amortization method	Closed 25-year level percentage-of-payroll with no amortization of surplus.
Remaining amortization period	11 years remaining as of December 31, 2021
Asset valuation method	Market value

## **SUPPLEMENTARY INFORMATION**

## The Water Works Board of the City of Birmingham Schedules of Long-Term Debt

Series 2011 Subordinate Bonds				
Maturity Date	Rate	Principal	Interest	Total
2023	3.100	\$ 105,000	\$ 31,698	\$ 136,698
2024	3.100	110,000	28,366	138,366
2025	3.100	110,000	24,956	134,956
2026	3.100	115,000	21,467	136,467
2027	3.100	120,000	17,825	137,825
2028	3.100	125,000	14,027	139,027
2029	3.100	125,000	10,152	135,152
2030	3.100	130,000	6,200	136,200
2031	3.100	135,000	2,092	137,092
2032	-	-	-	-
<b>Total</b>		1,075,000	<u>\$ 156,783</u>	<u>\$ 1,231,783</u>
Bond (discount) premium		-		
		<u>\$ 1,075,000</u>		

Series 2012 Subordinate Bonds				
Rate	Principal	Interest	Total	
2.900	\$ 70,000	\$ 21,605	\$	91,605
2.900	70,000	19,575		89,575
2.900	70,000	17,545		87,545
2.900	75,000	15,443		90,443
2.900	75,000	13,268		88,268
2.900	80,000	11,020		91,020
2.900	80,000	8,700		88,700
2.900	85,000	6,307		91,307
2.900	85,000	3,842		88,842
2.900	90,000	1,305		91,305
	780,000	<u>\$ 118,610</u>	\$	<u>898,610</u>
	-			
	<u>\$ 780,000</u>			

(Continued)

## The Water Works Board of the City of Birmingham Schedules of Long-Term Debt (Continued)

Series 2013 Subordinate Bonds				
Maturity Date	Rate	Principal	Interest	Total
2023	2.750	\$ 280,000	\$ 94,188	\$ 374,188
2024	2.750	290,000	86,350	376,350
2025	2.750	300,000	78,238	378,238
2026	2.750	305,000	69,918	374,918
2027	2.750	315,000	61,393	376,393
2028	2.750	325,000	52,593	377,593
2029	2.750	330,000	43,587	373,587
2030	2.750	340,000	34,376	374,376
2031	2.750	350,000	24,888	374,888
2032	2.750	360,000	15,125	375,125
2033	2.750	370,000	5,088	375,088
2034	-	-	-	-
2035	-	-	-	-
<b>Total</b>		3,565,000	<u>\$ 565,744</u>	<u>\$ 4,130,744</u>
Bond (discount) premium		-		
		<u>\$ 3,565,000</u>		

Series 2014 Subordinate Bonds				
Rate	Principal	Interest	Total	
2.450	\$ 30,000	\$ 10,658	\$ 40,658	
2.450	30,000	9,923	39,923	
2.450	30,000	9,188	39,188	
2.450	30,000	8,453	38,453	
2.450	30,000	7,718	37,718	
2.450	30,000	6,982	36,982	
2.450	35,000	6,247	41,247	
2.450	35,000	5,390	40,390	
2.450	35,000	4,532	39,532	
2.450	35,000	3,675	38,675	
2.450	35,000	2,817	37,817	
2.450	40,000	1,960	41,960	
2.450	40,000	980	40,980	
	435,000	<u>\$ 78,523</u>	<u>\$ 513,523</u>	
	-			
	<u>\$ 435,000</u>			

(Continued)

## The Water Works Board of the City of Birmingham Schedules of Long-Term Debt (Continued)

Series 2015-A Bonds				
Maturity Date	Rate	Principal	Interest	Total
2023	5.000	\$ 3,650,000	\$ 762,475	\$ 4,412,475
2024	5.000	3,840,000	575,225	4,415,225
2025	5.000	4,030,000	378,475	4,408,475
2026	5.000	4,240,000	171,725	4,411,725
2027	3.000	700,000	55,225	755,225
2028	3.000	720,000	33,925	753,925
2029	3.125	740,000	11,563	751,563
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
Total		17,920,000	<u>\$ 1,988,613</u>	<u>\$ 19,908,613</u>
Bond (discount) premium		940,273		
		<u>\$ 18,860,273</u>		

Series 2015-B Bonds				
Maturity Date	Rate	Principal	Interest	Total
2023	5.000	\$ 910,000	\$ 536,025	\$ 1,446,025
2024	5.000	955,000	489,400	1,444,400
2025	5.000	985,000	440,900	1,425,900
2026	5.000	1,040,000	390,275	1,430,275
2027	3.000	995,000	349,350	1,344,350
2028	3.000	1,035,000	318,900	1,353,900
2029	3.125	1,080,000	286,500	1,366,500
2030	3.250	1,950,000	237,937	2,187,937
2031	-	-	206,250	206,250
2032	-	-	206,250	206,250
2033	-	-	206,250	206,250
2034	-	-	206,250	206,250
2035	-	-	206,250	206,250
2036	3.750	1,000,000	187,500	1,187,500
2037	3.750	1,030,000	149,437	1,179,437
2038	3.750	1,115,000	109,218	1,224,218
2039	3.750	1,155,000	66,658	1,221,658
2040	3.750	1,200,000	22,500	1,222,500
Total		14,450,000	<u>\$ 4,615,850</u>	<u>\$ 19,065,850</u>
		1,084,373		
		<u>\$ 15,534,373</u>		

(Continued)

## The Water Works Board of the City of Birmingham Schedules of Long-Term Debt (Continued)

Series 2016-A Bonds				
Maturity Date	Rate	Principal	Interest	Total
2023	5.000	\$ 3,185,000	\$ 4,545,925	\$ 7,730,925
2024	5.000	3,350,000	4,382,550	7,732,550
2025	5.000	3,520,000	4,210,800	7,730,800
2026	5.000	3,700,000	4,030,300	7,730,300
2027	5.000	7,595,000	3,747,925	11,342,925
2028	5.000	7,990,000	3,358,300	11,348,300
2029	5.000	8,395,000	2,948,675	11,343,675
2030	5.000	4,560,000	2,624,800	7,184,800
2031	-	-	2,510,800	2,510,800
2032	-	-	2,510,800	2,510,800
2033	-	-	2,510,800	2,510,800
2034	-	-	2,510,800	2,510,800
2035	-	-	2,510,800	2,510,800
2036	4.000	11,635,000	2,278,100	13,913,100
2037	4.000	12,110,000	1,803,200	13,913,200
2038	4.000	12,605,000	1,308,900	13,913,900
2039	4.000	13,125,000	794,300	13,919,300
2040	4.000	6,515,000	401,500	6,916,500
2041	4.000	6,780,000	135,600	6,915,600
Total		105,065,000	<u>\$ 49,124,875</u>	<u>\$ 154,189,875</u>
Bond (discount) premium		12,318,964		
		<u>\$ 117,383,964</u>		

Series 2018-B Bonds				
Maturity Date	Rate	Principal	Interest	Total
2023	5.000	\$ 2,005,000	\$ 2,146,375	\$ 4,151,375
2024	5.000	2,095,000	2,043,875	4,138,875
2025	5.000	2,225,000	1,935,875	4,160,875
2026	5.000	6,540,000	1,716,750	8,256,750
2027	5.000	7,005,000	1,378,125	8,383,125
2028	5.000	7,350,000	1,019,250	8,369,250
2029	5.000	7,730,000	642,250	8,372,250
2030	5.000	3,935,000	350,625	4,285,625
2031	5.000	5,045,000	126,125	5,171,125
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
Total		43,930,000	<u>\$ 11,359,250</u>	<u>\$ 55,289,250</u>
Bond (discount) premium		3,605,307		
		<u>\$ 47,535,307</u>		

(Continued)



## The Water Works Board of the City of Birmingham Schedules of Long-Term Debt (Continued)

Series 2019				
Maturity Date	Rate	Principal	Interest	Total
2023	2.161	\$ 10,700,000	\$ 9,888,667	\$ 20,588,667
2024	2.201	10,935,000	9,652,715	20,587,715
2025	2.363	11,200,000	9,400,047	20,600,047
2026	2.463	11,465,000	9,126,527	20,591,527
2027	2.601	14,790,000	8,792,992	23,582,992
2028	2.671	15,175,000	8,397,986	23,572,986
2029	2.701	15,580,000	7,984,915	23,564,915
2030	2.801	15,220,000	7,561,351	22,781,351
2031	2.901	16,780,000	7,104,801	23,884,801
2032	3.001	13,565,000	6,657,865	20,222,865
2033	3.091	14,075,000	6,236,793	20,311,793
2034	3.141	14,920,000	5,784,946	20,704,946
2035	3.463	15,490,000	5,282,417	20,772,417
2036	3.463	15,075,000	4,753,184	19,828,184
2037	3.463	15,615,000	4,221,786	19,836,786
2038	3.463	11,155,000	3,758,264	14,913,264
2039	3.463	16,750,000	3,275,089	20,025,089
2040	3.463	19,005,000	2,645,538	21,650,538
2041	3.573	20,940,000	1,931,921	22,871,921
2042	3.573	17,415,000	1,246,709	18,661,709
2043	3.573	12,820,000	706,560	13,526,560
2044	3.573	6,560,000	360,337	6,920,337
2045	3.573	6,805,000	121,571	6,926,571
Total		322,035,000	\$ 124,892,981	\$ 446,927,981
Bond (discount) premium		-		
		<u>\$ 322,035,000</u>		

Series 2021				
Maturity Date	Rate	Principal	Interest	Total
2023	0.307	\$ 14,620,000	\$ 10,284,786	\$ 24,904,786
2024	0.570	14,695,000	10,220,465	24,915,465
2025	0.848	14,795,000	10,115,853	24,910,853
2026	1.098	10,820,000	9,993,721	20,813,721
2027	1.316	8,575,000	9,877,896	18,452,896
2028	1.466	8,690,000	9,757,774	18,447,774
2029	1.613	8,825,000	9,622,903	18,447,903
2030	1.713	18,665,000	9,391,864	28,056,864
2031	1.813	23,715,000	9,017,022	32,732,022
2032	2.013	33,225,000	8,467,636	41,692,636
2033	2.163	33,930,000	7,766,272	41,696,272
2034	2.288	34,670,000	7,002,693	41,672,693
2035	2.388	35,495,000	6,182,258	41,677,258
2036	2.513	24,995,000	5,444,386	30,439,386
2037	2.61	25,650,000	4,795,591	30,445,591
2038	2.71	31,285,000	4,036,947	35,321,947
2039	2.76	23,025,000	3,295,291	26,320,291
2040	2.86	21,445,000	2,670,882	24,115,882
2041	2.86	22,070,000	2,048,617	24,118,617
2042	2.86	26,980,000	1,347,202	28,327,202
2043	2.86	33,615,000	480,694	34,095,694
2044	-	-	-	-
2045	-	-	-	-
Total		469,785,000	\$ 141,820,753	\$ 611,605,753
Bond (discount) premium		-		
		<u>\$ 469,785,000</u>		

(Continued)

**The Water Works Board of the City of Birmingham  
Schedules of Long-Term Debt (Continued)**

Aggregate Debt Service

Maturity Date	Principal	Interest	Total
2023	\$ 35,555,000	\$ 28,322,402	\$ 63,877,402
2024	36,370,000	27,508,444	63,878,444
2025	37,265,000	26,611,877	63,876,877
2026	38,330,000	25,544,579	63,874,579
2027	40,200,000	24,301,717	64,501,717
2028	41,520,000	22,970,757	64,490,757
2029	42,920,000	21,565,492	64,485,492
2030	44,920,000	20,218,850	65,138,850
2031	46,145,000	19,000,352	65,145,352
2032	47,275,000	17,862,656	65,137,656
2033	48,410,000	16,728,020	65,138,020
2034	49,630,000	15,506,649	65,136,649
2035	51,025,000	14,182,705	65,207,705
2036	52,705,000	12,663,170	65,368,170
2037	54,405,000	10,970,014	65,375,014
2038	56,160,000	9,213,329	65,373,329
2039	54,055,000	7,431,338	61,486,338
2040	48,165,000	5,740,420	53,905,420
2041	49,790,000	4,116,138	53,906,138
2042	44,395,000	2,593,911	46,988,911
2043	46,435,000	1,187,254	47,622,254
2044	6,560,000	360,337	6,920,337
2045	6,805,000	121,571	6,926,571
<b>Total</b>	<b>979,040,000</b>	<b>\$ 334,721,982</b>	<b>\$ 1,313,761,982</b>
<b>Bond (discount) premium</b>	<b>17,948,917</b>		
	<b>\$ 996,988,917</b>		

## The Water Works Board of the City of Birmingham Schedules of Changes in Utility Plant Assets

Account Reference	Asset Account			Accumulated Depreciation					
	Balance as of December 31, 2021	Plant Additions	Plant Retirements	Balance as of December 31, 2022	Balance as of December 31, 2021	Depreciation	Retirements	Balance as of December 31, 2022	Net Balance as of December 31, 2022
<b>Utility plant in service</b>									
Land and land rights									
103110	Reservoirs	\$ 3,280,022	\$ -	\$ -	\$ 3,280,022	\$ -	\$ -	\$ -	\$ 3,280,022
103115	Other sources of supply	1,188,285	-	-	1,188,285	-	-	-	1,188,285
103120	Power and pumping	6,455,092	-	-	6,455,092	-	-	-	6,455,092
103125	Purification	2,638,278	-	-	2,638,278	-	-	-	2,638,278
103130	Transmission	65,724	-	-	65,724	-	-	-	65,724
103135	Distribution reservoirs and standpipes	734,720	-	-	734,720	-	-	-	734,720
103140	Distribution	5,626,885	-	-	5,626,885	-	-	-	5,626,885
103145	General land	3,377,961	436,747	-	3,814,708	-	-	-	3,814,708
103150	Office	4,163,445	-	-	4,163,445	-	-	-	4,163,445
103155	Stores, shop and garage	744,648	-	-	744,648	-	-	-	744,648
103160	Miscellaneous	11,824,317	-	-	11,824,317	-	-	-	11,824,317
<b>Total land and land rights</b>		<b>40,099,377</b>	<b>436,747</b>	<b>-</b>	<b>40,536,124</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,536,124</b>
Structures and improvements									
103165	Land improvement	327,866	14,745	-	342,611	55,486	23,845	-	263,280
103210	Collecting and impounding reservoirs	19,645,728	-	-	19,645,728	11,549,795	682,453	-	7,413,480
103215	Lake, river and other intakes	21,157,275	-	-	21,157,275	5,621,234	273,180	-	15,262,861
103220	Infiltration galleries and tunnels	182,665	-	-	182,665	138,297	753	-	43,615
103225	Other water sources	1,981,662	-	-	1,981,662	839,309	57,530	-	1,084,823
103230	Power and pumping	15,342,138	162,580	-	15,504,718	9,396,319	425,781	-	5,682,618
103235	Purification building	37,226,635	31,254	-	37,257,889	23,039,570	1,286,739	-	12,931,580
103240	Distribution reservoirs and standpipes	74,074,143	-	-	74,074,143	31,107,679	1,441,781	-	41,524,683
103245	Office	24,579,306	58,339	-	24,637,645	15,266,253	752,992	-	8,618,400
103250	Stores, shop and garage	4,983,922	-	-	4,983,922	3,287,512	130,941	-	1,565,469
103255	Miscellaneous	22,974,728	915,307	-	23,890,035	11,745,090	888,621	-	11,256,324
<b>Total structures and improvements</b>		<b>222,476,068</b>	<b>1,182,225</b>	<b>-</b>	<b>223,658,293</b>	<b>112,046,544</b>	<b>5,964,616</b>	<b>-</b>	<b>105,647,133</b>

(Continued)

## The Water Works Board of the City of Birmingham Schedules of Changes in Utility Plant Assets (Continued)

Account Reference	Asset Account			Balance as of December 31, 2022	Accumulated Depreciation			Balance as of December 31, 2022	Net Balance as of December 31, 2022
	Balance as of December 31, 2021	Plant Additions	Plant Retirements		Balance as of December 31, 2021	Depreciation	Retirements		
Account	Equipment								
103310	-	-	-	-	-	-	-	-	-
103315	421,662	-	-	421,662	236,935	18,013	-	254,948	166,714
103320	-	-	-	-	-	-	-	-	-
103323	38,231,324	1,858,568	-	40,089,892	17,735,492	1,312,693	-	19,048,185	21,041,707
103325	3,655	-	-	3,655	1,121	146	-	1,267	2,388
103327	1,090,362	-	-	1,090,362	390,385	45,581	-	435,966	654,396
103330	25,602,194	-	-	25,602,194	12,324,793	547,037	-	12,871,830	12,730,364
103332	33,351,799	89,484	-	33,441,283	18,158,697	619,358	-	18,778,055	14,663,228
103333	19,144,629	-	-	19,144,629	6,691,054	440,758	-	7,131,812	12,012,817
103335	136,243,924	63,814	-	136,307,738	34,155,071	3,034,733	-	37,189,804	99,117,934
103340	6,813	-	-	6,813	4,496	80	-	4,576	2,237
103345	167,531,098	180,067	-	167,711,165	32,455,917	1,685,430	-	34,141,347	133,569,818
103350	359,357,620	11,941,673	-	371,299,293	122,045,771	5,170,112	-	127,215,883	244,083,410
103355	96,737,579	1,721,412	-	98,458,991	26,375,712	2,006,371	-	28,382,083	70,076,908
103360	47,804,716	58,595	(82,000)	47,781,311	16,721,417	2,371,337	(12,913)	19,079,841	28,701,470
103365	31,828,651	575,395	-	32,404,046	12,214,182	632,636	-	12,846,818	19,557,228
103370	46,027,995	420,589	(46,004)	46,402,580	29,718,282	4,193,115	(42,842)	33,868,555	12,534,025
103375	18,541,532	481,926	(539,714)	18,483,744	11,999,678	1,320,324	(435,299)	12,884,703	5,599,041
103380	6,478	-	-	6,478	5,197	357	-	5,554	924
103383	85,261	9,820	-	95,081	50,566	11,482	-	62,048	33,033
103385	1,933,925	-	-	1,933,925	1,534,700	92,857	-	1,627,557	306,368
103387	12,755,971	814,833	(24,634)	13,546,170	8,677,360	1,228,485	(19,210)	9,886,635	3,659,535
103390	6,487,935	-	-	6,487,935	5,210,838	317,532	-	5,528,370	959,565
103393	12,748,007	104,820	(3,220)	12,849,607	8,023,247	763,190	(3,242)	8,783,195	4,066,412
103395	16,576	-	-	16,576	16,576	-	-	16,576	-
<b>Total Equipment</b>	<b>1,055,959,706</b>	<b>18,320,996</b>	<b>(695,572)</b>	<b>1,073,585,130</b>	<b>364,747,487</b>	<b>25,811,627</b>	<b>(513,506)</b>	<b>390,045,608</b>	<b>683,539,522</b>
<b>Total utility in service</b>	<b>1,318,535,151</b>	<b>19,939,968</b>	<b>(695,572)</b>	<b>1,337,779,547</b>	<b>476,794,031</b>	<b>31,776,243</b>	<b>(513,506)</b>	<b>508,056,768</b>	<b>829,722,779</b>
<b>Construction in progress</b>	<b>140,648,971</b>	<b>29,068,045</b>	<b>-</b>	<b>169,717,016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>169,717,016</b>
<b>Total utility plant</b>	<b>\$ 1,459,184,122</b>	<b>\$ 49,008,013</b>	<b>\$ (695,572)</b>	<b>\$ 1,507,496,563</b>	<b>\$ 476,794,031</b>	<b>\$ 31,776,243</b>	<b>\$ (513,506)</b>	<b>\$ 508,056,768</b>	<b>\$ 999,439,795</b>

**The Water Works Board of the City of Birmingham  
Schedules of Operating Expenses**

	2022	2021
<b>Operations</b>		
Source of supply-other	\$ 1,104,697	\$ 963,525
Power and pumping	13,687,030	11,761,722
Purification	15,681,672	12,635,399
Transmission and distribution	9,881,475	10,831,116
Customer's accounting and collection	17,188,415	13,948,057
Administrative and general	38,647,383	25,967,857
License Fees - Birmingham	2,067,325	2,041,729
License Fees - other	2,304,518	2,428,050
<b>Total operations</b>	<b>100,562,515</b>	<b>80,577,455</b>
<b>Maintenance</b>		
Source of supply	511,355	470,192
Power and pumping	3,148,768	2,536,383
Purification	1,235,591	1,122,775
Transmission and distribution	15,247,127	13,599,895
Administrative and general	4,515,435	4,487,299
<b>Total maintenance</b>	<b>24,658,276</b>	<b>22,216,544</b>
<b>Depreciation</b>	<b>31,776,243</b>	<b>31,478,871</b>
<b>Total operating expenses</b>	<b>\$ 156,997,034</b>	<b>\$ 134,272,870</b>

**The Water Works Board of the City of Birmingham  
Schedules of Nonoperating Revenues (Expenses)**

	<b>2022</b>	<b>2021</b>
<hr/>		
Other Income (expense)		
Investment interest income	\$ 2,502,206	\$ 1,082,255
Other interest income	11,585	17,859
Commissions and other	915,207	1,217,221
Other expense	(466,194)	-
Gain (loss) on disposal of property	(182,088)	81,321
<hr/>		
Total other income (expense)	<b>2,780,716</b>	2,398,656
Interest expense		
Interest on long-term debt and long-term obligations including amortization of accounting loss on advance refunding and original issue premium	<b>(31,407,641)</b>	(38,320,488)
Interest paid on customers' guarantee deposits	<b>(5,800)</b>	(5,162)
<hr/>		
Total interest expense	<b>(31,413,441)</b>	(38,325,650)
<hr/>		
Total nonoperating revenues (expenses)	<b>\$ (28,632,725)</b>	\$ (35,926,994)
<hr/> <hr/>		

**The Water Works Board of the City of Birmingham  
Schedule of Amounts on Deposit With Trustee By Fund  
December 31, 2022**

Fund Type	Fair Market Value	Accrued Interest	Carrying Value
Revenue funds	\$ 130,782,822	\$ 155,729	\$ 130,938,551
Debt service funds	49,151,036	174,442	49,325,478
Debt service reserve funds	2,949,028	59,452	3,008,480
Development, renewal and replacement funds	1,281,100	28	1,281,128
<b>Total</b>	<b>\$ 184,163,986</b>	<b>\$ 389,651</b>	<b>\$ 184,553,637</b>

## **OTHER INFORMATION**



## The Water Works Board of the City of Birmingham Schedule of Revenue Bond Coverage (Unaudited)

Fiscal Year	Total Revenue (1)	Total Operating Expenses (2)	Net Revenue Available	Debt Service Requirements			
				Senior	Subordinate	Coverage Senior	Coverage Senior and Subordinate
2022	\$ 214,602,651	\$ 125,220,791	\$ 89,381,860	\$ 59,065,731	\$ 641,649	1.51	1.50
2021	194,977,034	103,685,916	91,291,118	46,257,423	19,792,934	1.97	1.38
2020	201,856,811	105,644,715	96,212,096	40,161,795	19,794,991	2.40	1.60
2019	203,963,970	104,227,780	99,736,190	44,684,801	19,812,050	2.23	1.55
2018	186,057,787	96,632,281	89,425,506	41,862,307	19,794,224	2.14	1.45
2017	169,689,545	87,918,012	81,771,533	40,042,220	13,645,969	2.04	1.52
2016	174,865,999	95,516,423	79,349,576	43,189,830	22,311,628	1.84	1.21
2015	166,856,191	98,835,582	68,020,609	38,493,840	22,274,800	1.77	1.12
2014	164,734,752	87,677,646	77,057,106	39,951,783	22,249,066	1.93	1.24
2013	155,060,528	90,408,804	64,651,724	35,238,356	21,906,396	1.83	1.13
2012	155,628,405	88,565,454	67,062,951	34,158,265	21,831,878	1.96	1.20
2011	152,962,503	87,985,079	64,977,424	22,243,271	22,974,980	2.92	1.44

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

(2) Exclude depreciation, amortization and interest

**The Water Works Board of the City of Birmingham  
Schedule of Major Industrial/Governmental Customers (Unaudited)  
December 31, 2022**

Customer	Revenues	% Total of Operating Revenue
University of Alabama at Birmingham	\$ 4,609,709	2.16%
US Steel	2,875,207	1.35%
Birmingham Housing Authority	1,429,665	0.67%
ACIPCO	1,061,400	0.50%
Tenet Healthcare	899,389	0.42%
Graysville Water Co	882,574	0.41%
St. Vincent's Hospital	842,244	0.40%
City of Hoover	830,394	0.39%
Buffalo Rock Co	754,720	0.35%
City of Birmingham	661,396	0.31%
<b>Total</b>	<b>\$ 14,846,698</b>	<b>6.96%</b>

**The Water Works Board of the City of Birmingham**  
**Schedule of Insurance Policies (Unaudited)**  
**December 31, 2022**

Type of Coverage	Policy No.	Deductible	Policy Limits
<b>Property</b>			
Primary property (TIV - \$520,512,110)	B0621F43121013	\$ 250,000	\$ 50,000,000
Dams and structures		250,000	50,000,000
Limited flood and earthquake		250,000	50,000,000
Equipment breakdown coverage		250,000	50,000,000
Inland marine coverage		10,000	4,221,120
Accounts receivable			5,000,000
Valuable papers			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
Newly acquired property			10,000,000
Service interruption deductible			10,000,000
Transit			1,000,000
Excess property	NHT384410	50,000,000	(TIV) 520,512,110
<b>Primary Liability</b>	PEP G24891574 004		
General liability		100,000	10,000,000
Public Officials		100,000	10,000,000
Employment practice liability		100,000	10,000,000
Employee benefit liability		100,000	10,000,000
Automobile liability		50,000	10,000,000
Uninsured motorist		50,000	250,000
Hired and non-owned liability		50,000	10,000,000
<b>Excess Liability</b>	182240	10,000,000	10,000,000
<b>Pollution</b>	PEC002469902	250,000	5,000,000
<b>Fiduciary</b>	01-542-48-62	25,000	3,000,000
<b>Commercial Crime</b>	01-543-35-01		
Forgery or Alteration		20,000	1,000,000
Inside premises - theft of money/securities		5,000	350,000
By messenger - theft of money/securities		5,000	350,000
Computer fraud		20,000	1,000,000
Employee theft		20,000	1,000,000
Funds transfer fraud		20,000	1,000,000
Money orders and counterfeit money		5,000	350,000
Clients' property		20,000	1,000,000
<b>Cyber</b>	ASB13B000632	50,000	5,000,000
<b>Specific Excess Worker Compensation and Workers</b>	SP4049786	500,000	Statutory

**The Water Works Board of the City of Birmingham  
Schedule of Operation Statistics (Unaudited)**

	<b>2022</b>	2021	2020	2019	2018	2017	2016
Number of customers	<b>202,893</b>	199,569	195,212	193,530	192,429	192,636	190,758
Miles of mains in service	<b>4,117</b>	4,114	4,095	4,060	4,052	4,025	4,012
Number of fire hydrants	<b>13,878</b>	12,268	13,032	13,894	12,805	13,688	13,681
Capacity of storage (in thousand gallons)	<b>75,172</b>	75,172	75,172	75,172	75,172	75,172	75,172
Water delivered to the distribution system (in billion gallons)	<b>40.6</b>	42.0	41.4	40.5	38.8	37.1	38.9
Single day, peak in demand (in million gallons)	<b>148.6</b>	134.9	131.1	138.5	125.3	115.6	131.2

## **REPORT ON COMPLIANCE AND INTERNAL CONTROL MATTERS**

**INDEPENDENT AUDITORS' 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,  
Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Water Works Board of the City of Birmingham (the Board), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated June 23, 2023.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002 that we consider to be material weaknesses.

## **Report on Compliance and Other Matters**

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

## **Board's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Board's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama

June 23, 2023

## The Water Works Board of the City of Birmingham Schedule of Findings and Responses

### 2022-001: Earned but Unrecorded Revenue

- Criteria:** The Board should have a comprehensive accrual for earned, but unrecorded revenue as of the financial statement date.
- Condition:** The Board's earned, but unrecorded revenue accrual process is based on an estimate, which uses the customer's previous month's bill instead of actual usage through the end of the period. The accrual also excludes fire suppression revenues from its year-end accrual calculation.
- Cause:** The Board's earned, but unrecorded revenue accrual process is based on monthly estimates, which exclude adjustments for actual water usage revenues at year-end and excludes fire suppression water usage revenues. These exclusions cause discrepancies in the comprehensive accrual of all earned revenue at year-end.
- Effect:** The Board's current earned, but unrecorded revenue accrual process based on monthly estimates understated prior year accounts receivable and prior year revenues and understated current year accounts receivable and current year revenues. As a result, an audit adjustment was necessary to correct the financial statements.

#### **Recommendation**

We recommend that the revenue accrual process consider all sources of actual water usage in the development of the year-end revenue accrual.

#### **Management's Response:**

We agree with the auditors' recommendation and the following action will be taken to improve the year-end accrual of earned, but unrecorded revenue. Instead of projecting revenue through the end of the year based on actual revenue through the most recent invoice date prior to year-end, we will accrue all revenue based on actual invoices through the subsequent period that relate to the year-end.



## The Water Works Board of the City of Birmingham Schedule of Findings and Responses (Continued)

### 2022-002: Other Postemployment Benefit (OPEB) Deferred Outflows of Resources

- Criteria:** Deferred outflows of resources should be recorded for employer contributions that are made subsequent to the OPEB plan actuarial measurement date through the financial statement date.
- Condition:** The Board's calculation of the deferred outflows of resources excluded the employer contributions that are made subsequent to the OPEB plan actuarial measurement date through the financial statement date.
- Cause:** The Board's calculation related to the deferred outflows of resources did not consider the effect of an OPEB plan actuarial measurement date that is prior to the financial statement date.
- Effect:** The Board's deferred outflows of resources related to employer contributions that are made subsequent to the OPEB plan actuarial measurement date are understated in the current year and prior year. The related OPEB expense is overstated in the current year and prior year. As a result, an audit adjustment was necessary to correct the financial statements.

#### **Recommendation**

We recommend that employer contributions that are made subsequent to the OPEB plan actuarial measurement date through the financial statement date be recorded as deferred outflows of resources.

#### **Management's Response:**

We agree with the auditors' recommendation and the following action will be taken to improve the recording of employer contributions to the OPEB plan made subsequent to the OPEB plan actuarial measurement date through the financial statement date. Instead of recording the employer contributions to the OPEB plan as a current year expense, we will begin recording the employer contributions to the OPEB plan subsequent to the OPEB plan actuarial measurement date through the financial statement date as Deferred Outflows of Resources.