

THE WATER AND WASTEWATER BOARD
OF THE CITY OF MADISON, ALABAMA
(MADISON UTILITIES)
FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 and 2022

Dyer & Smith, LLC

Certified Public Accountants

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Independent Auditor's Report

Members of the Board of Directors
Water and Wastewater Board of the City of Madison, Alabama (Utilities)
Madison, Alabama

Opinion

We have audited the financial statements of the Water and Wastewater Board of the City of Madison, Alabama (Utilities) which comprises the statements of net position as of September 30, 2023 and 2022, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Utilities, as of September 30, 2023 and 2022, and the results of operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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 these financial statements, management is required to evaluate whether these are conditions or events, considered in the aggregate, that raise substantial doubt about the Utilities' ability to continue as a going concern for a time period of at least one year past the date of the auditor's report.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with Generally Accepted Auditing standards (GAAS) 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, misrepresentation, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS 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 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 Utilities' 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 Utilities' 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.

OTHER MATTERS

Required Supplementary Information

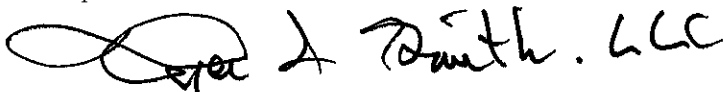
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages i-iv, and Required Supplementary Information, on pages 35-38, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be as essential part of the 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Utility's basic financial statements. The schedules on pages 26-29, as identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit other basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records 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 other information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023 on our consideration of the Utilities' internal control over financial reporting and 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 not to provide an opinion on the effectiveness of the Utility'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 Utilities' internal control over financial reporting and compliance.



Dyer & Smith, LLC
Huntsville, Alabama
December 20, 2023

SECTION I

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year 2023

The Water and Wastewater Board of the City of Madison, Alabama, doing business as Madison Utilities, hereafter referred to as the "Madison Utilities", is pleased to present its Annual Financial Report developed in compliance with Statement of Governmental Accounting Standards No. 62, entitled "Codification of Accounting and Financial reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," (hereafter "GASB 62") and related standards.

Mission

The mission of Madison Utilities is to protect the public health and environment by providing abundant, affordable, and high quality drinking water; providing environmentally sound and affordable wastewater treatment and disposal; and providing efficient, reliable, and courteous service. This mission serves as the foundation for Madison Utilities' operational and financial initiatives of the departments and functions, and performance development for employees and systems. The Annual Financial Report is one of the many tools used to communicate historical financial conditions and performance results.

Responsibility and Controls

Madison Utilities has prepared and is responsible for the financial statements and related information included in this report. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions. Limitations exist in any system of internal controls. However, based on recognition that the cost of the system should not exceed its benefits, management believes its system of internal accounting controls maintains an appropriate cost/benefit.

Madison Utilities' system of internal accounting controls is evaluated on an ongoing basis by the General Manager and Madison Utilities' financial staff. Independent external auditors also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

The Board of Directors serves as the Audit Committee. The Board is composed of five members who are not employees and who provide a broad overview of management's financial reporting and control functions.

Management believes that its policies and procedures provide guidance and reasonable assurance that Madison Utilities' operations are conducted according to management's intentions and to a high standard of business ethics. In management's opinion, the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of Madison Utilities in conformity with accounting principles generally accepted in the United States of America.

Audit Assurance

The unmodified (i.e., clean) opinion of our independent external auditors, Dyer & Smith, LLC, CPA's, is included in this report.

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) serves as an introduction to and should be read in conjunction with the basic audited financial statements and supplementary information. The MD&A represents management's examination and analysis of Madison Utilities' financial condition and performance.

Financial Highlights

Financial highlights for Madison Utilities are presented along with condensed financial information in the pages that follow and serve as the key financial data and indicators for management, monitoring, and planning.

Overview of Annual Financial Report

The financial statements report information using full accrual accounting methods as used in similar business activities in the private sector. However, rate-regulated accounting principles applicable to private sector utilities are also used by government utilities. The financial statements include a statement of net position, statements of revenues, expenses and changes in net position, statement of cash flows, and notes to the financial statements.

The statement of net position presents the financial position on a full accrual historical cost basis and presents information assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position are one indicator of whether the financial position of Madison Utilities is improving or deteriorating.

While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the statements of revenues, expenses, and changes in net position presents the results of the business activities over the course of the fiscal year and information as to how net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. These statements also provide certain information about recovery of costs.

The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about Madison Utilities' accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

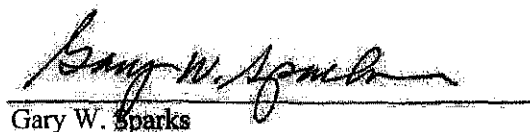
The financial statements were prepared by Madison Utilities' staff from the detailed books and records of Madison Utilities. The financial statements were audited and adjusted, if material, during the independent external audit process.

Contacting the Board's Financial Management

This financial report is designed to provide our customers, investors, and creditors with a general overview of Madison Utilities' finances and to demonstrate Madison Utilities' accountability for the money it receives. If you have any questions about this report, or need additional information, please contact the Water and Wastewater Board of the City of Madison, Alabama (dba Madison Utilities), 101 Ray Sanderson Drive, Madison, Alabama 35758.



Emory S. DeFord
General Manager



Gary W. Sparks
Finance Manager

CONDENSED STATEMENTS OF NET POSITION

	September 30	
	<u>2023</u>	<u>2022</u>
Current and unrestricted assets	\$ 21,546,238	\$ 20,565,171
Reserved cash	14,401,146	12,212,108
Restricted cash	20,705,038	28,138,600
Other non-current assets	1,908,841	2,121,945
Capital assets (net)	298,591,071	283,878,317
Deferred outflows	2,060,198	1,204,893
Total Assets	<u>\$ 359,212,532</u>	<u>\$ 348,121,034</u>
Current liabilities	\$ 2,744,857	\$ 3,581,905
Liabilities payable from restricted assets	5,571,914	5,508,979
Long-term liabilities	160,827,976	164,408,153
Other non-current liabilities	8,816,401	6,598,645
Deferred inflows	226,790	846,412
Total Liabilities	<u>178,187,938</u>	<u>180,944,094</u>
Net Position:		
Invested in Capital Assets,		
Net of Related Debt	134,100,022	116,083,130
Restricted	20,705,038	28,138,600
Unrestricted	<u>26,219,534</u>	<u>22,955,210</u>
Total Net Position	<u>181,024,594</u>	<u>167,176,940</u>
Total Liabilities and Net Position	<u>359,212,532</u>	<u>348,121,034</u>

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	September 30	
	<u>2023</u>	<u>2022</u>
Water and sewer revenues	\$ 28,519,688	\$ 26,357,276
Total Operating Revenues	<u>28,519,688</u>	<u>26,357,276</u>
Water and sewer operating expenses	9,362,181	7,998,403
Depreciation	8,515,688	8,073,042
Total Operating Expenses	<u>17,877,869</u>	<u>16,071,445</u>
Operating Income	10,641,819	10,285,831
Non-operating expenses	(5,983,349)	(6,851,385)
Non-operating income	1,732,968	363,394
Transfers to City of Madison	(671,959)	(603,903)
Contributions in aid of construction	<u>8,128,175</u>	<u>4,273,568</u>
Change in Net Position	13,847,654	7,467,505
Beginning Net Position	<u>167,176,940</u>	<u>159,709,435</u>
Ending Net Position	<u>\$ 181,024,594</u>	<u>\$ 167,176,940</u>

Overview of Annual Financial Report

Total assets and deferred outflows of resources at year-end were \$359.2 million and exceeded total liabilities and deferred inflows of resources by \$181 million. The increase in net position after transfers and aid was \$13.8 million.

Madison Utilities had approximately \$160.8 million in long term debt at the end of the fiscal year. Madison Utilities has issued long-term debt obligations both in direct commercial water and wastewater revenue bonds and in subordinated water and wastewater revenue bonds issued through the Alabama State Revolving Fund (SRF). No new debt was issued in the fiscal year 2023.

As shown on the Statement of Revenues, Expenses and Changes in Net Position, overall operating revenues and interest income were \$29.7 million, representing a 12.0% increase over operating revenues and interest income from fiscal year 2022. Total operating expenses increased \$1.8 million from the prior year, representing an 11.2% increase primarily driven by increased Water treatment expenses (chemicals, electricity) and depreciation.

During fiscal year 2023 efforts continued utilizing the Series 2020 Commercial Revenue Bonds that will complete the Wastewater Master Plan developed in 2015 as well as upgrade the Quarry Water Treatment Plant and other improvements to the Water distribution infrastructure to provide additional supply and integrity to the System. Updated Master Plans have been developed in both Water and Wastewater Systems.

For fiscal year 2023, operating income (excluding depreciation) and interest income were adequate to cover debt service requirements as well as contributions necessary to balance Madison Utilities' capital budget.

Additional borrowing will occur in 1st quarter of fiscal year 2024 to continue infrastructure improvements and additions to capacity needs within our service territory.

Significant subsequent events occurred following the close of the Fiscal Year 2023. In November 2023 Madison Utilities purchased the Fiorentino Well property and water rights further insuring the supply of water to our northern service area. Also, in December 2023, Madison Utilities issued the Series 2023 Commercial Bonds in the amount of \$63,930,000 in the continued efforts to improve, upgrade, and add infrastructure to support the continued growth in the area.

SECTION II

WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2023 AND 2022

	ASSETS	
	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash	\$ 16,227,043	\$ 17,012,809
Accounts receivable, trade, net of allowance for doubtful accounts of \$86,538 and \$86,250	2,666,411	2,213,152
Receivable - City of Madison / State	73,049	34,213
Bond fund construction draw receivable	-	33,125
Receivable from City of Madison	-	48,431
Other receivables	81,181	83,569
Interest receivable	22,269	31,421
Materials and supplies	2,427,043	1,040,678
Prepaid expenses	49,242	67,773
TOTAL CURRENT ASSETS	<u>21,546,238</u>	<u>20,565,171</u>
RESERVED AND RESTRICTED ASSETS		
Reserved by the board of directors:		
Tank maintenance reserve	1,323,703	1,581,225
CMOM & water main replacement reserve	2,197,012	1,457,508
RSA Pension Reserve	204,226	204,226
Customer deposits	4,289,593	3,885,100
Insurance reserve	94,802	67,054
SRF principal and interest	1,970,944	768,076
Contingency, expansion and replacements	4,320,866	4,248,919
Reserved by board of directors	<u>14,401,146</u>	<u>12,212,108</u>
Restricted by bond covenant:		
Bond principal and interest funds	3,197,549	3,126,144
Bond replacement funds	136,496	136,496
Bond reserve funds	7,294,823	7,289,549
Bond construction funds	10,076,170	17,586,411
Restricted by bond covenants	<u>20,705,038</u>	<u>28,138,600</u>
TOTAL RESERVED AND RESTRICTED ASSETS	<u>35,106,184</u>	<u>40,350,708</u>
OTHER ASSETS		
Unamortized debt expense - regulatory asset	<u>1,908,841</u>	<u>2,121,945</u>
CAPITAL ASSETS		
Plant in service	366,704,701	350,526,494
Construction in progress	36,482,923	30,322,084
	403,187,624	380,848,578
Accumulated depreciation	<u>(104,596,553)</u>	<u>(96,970,261)</u>
NET CAPITAL ASSETS	<u>298,591,071</u>	<u>283,878,317</u>
TOTAL ASSETS	<u>\$ 357,152,334</u>	<u>\$ 346,916,141</u>
DEFERRED OUTFLOWS - Pension related	<u>2,060,198</u>	<u>1,204,893</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 359,212,532</u>	<u>\$ 348,121,034</u>

The accompanying notes and independent auditors' report are an integral part of these financial statements.

WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2023 and 2022

LIABILITIES AND NET ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT LIABILITIES		
Accounts payable:		
Trade	\$ 1,692,848	\$ 2,448,378
City of Madison	-	-
Payable to contractors and contractor advances	147,765	181,272
Accrued absences	272,596	282,361
Current portion of customer deposits	594,325	639,911
Accrued liabilities	37,323	29,983
TOTAL CURRENT LIABILITIES	<u>2,744,857</u>	<u>3,581,905</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Accrued interest	2,411,914	2,443,979
Current maturities of water and wastewater revenue bonds	3,160,000	3,065,000
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	<u>5,571,914</u>	<u>5,508,979</u>
LONG-TERM LIABILITIES		
Long-term portion of water and wastewater revenue bonds	<u>160,827,976</u>	<u>164,408,153</u>
OTHER NON-CURRENT LIABILITIES		
Long-term portion of customer deposits	3,695,268	3,245,189
Net pension liability	5,121,133	3,353,456
TOTAL OTHER NON-CURRENT LIABILITIES	<u>8,816,401</u>	<u>6,598,645</u>
TOTAL LIABILITIES	<u>\$ 177,961,148</u>	<u>\$ 180,097,682</u>
DEFERRED INFLOWS		
Deferred inflows related to pension liability	<u>226,790</u>	<u>846,412</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>\$ 178,187,938</u>	<u>\$ 180,944,094</u>
NET POSITION		
Invested in capital assets, net of related debt	\$ 134,100,022	\$ 116,083,130
Restricted	20,705,038	28,138,600
Unrestricted	<u>26,219,534</u>	<u>22,955,210</u>
TOTAL NET POSITION	<u>\$ 181,024,594</u>	<u>\$ 167,176,940</u>

The accompanying notes and independent auditors' report are an integral part of these financial statements.

WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Water	\$ 11,559,139	\$ 10,871,193
Wastewater	12,774,725	11,527,442
Customer franchise fees	725,995	669,429
Water treatment availability fees	1,383,400	1,135,484
Water taps and meter sets	278,168	179,548
Wastewater availability fees	1,029,311	1,203,388
Wastewater tap fees	13,150	20,795
New service fees	146,350	159,990
Final notice and late fees	282,939	186,772
Termination fees	100,436	60,208
Construction plan review fees	23,400	34,100
Other	<u>202,675</u>	<u>308,927</u>
Total	<u>28,519,688</u>	<u>26,357,276</u>
OPERATING EXPENSES		
Water field operations	631,180	611,074
Wastewater field operations	806,898	692,925
Water production	2,725,785	2,409,724
Wastewater treatment plant	2,706,907	2,382,862
Administration and finance	1,915,165	1,736,894
General	576,245	164,924
Depreciation	<u>8,515,688</u>	<u>8,073,042</u>
Total	<u>17,877,868</u>	<u>16,071,445</u>
OPERATING INCOME	<u>10,641,820</u>	<u>10,285,831</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	1,190,020	170,393
Interest expense	(5,964,905)	(6,413,988)
Unrealized gain / (loss) on long-term treasury notes	133,507	(437,397)
Well exploration	(18,133)	-
Non-operating - gain on sale of equipment	202,369	-
Non-operating - miscellaneous	(313)	665
Amortization - net	<u>207,073</u>	<u>192,336</u>
INCOME BEFORE TRANSFERS AND AID TO CONSTRUCTION	6,391,438	3,797,840
TRANSFERS - CITY OF MADISON - Franchise Tax Paid	(671,959)	(603,903)
AID TO CONSTRUCTION	<u>8,128,175</u>	<u>4,273,568</u>
CHANGE IN NET ASSETS	13,847,654	7,467,505
NET POSITION - BEGINNING	<u>167,176,940</u>	<u>159,709,435</u>
NET POSITION - ENDING	<u>\$ 181,024,594</u>	<u>\$ 167,176,940</u>

The accompanying notes and independent auditors' report are an integral part of these financial statements.

WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022
(Increase (Decrease) in Cash)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Received from customers	\$ 28,268,798	\$ 26,653,499
Paid to suppliers for goods and services	(7,876,278)	(5,596,753)
Paid to employees for services - not capitalized	<u>(2,891,248)</u>	<u>(2,496,580)</u>
Net cash flows provided by operating activities	<u>17,501,272</u>	<u>18,560,166</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers out - paid to City of Madison	<u>(671,959)</u>	<u>(603,903)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to plant in service	(17,324,487)	(17,296,010)
Loss on retirement of plant in service	52,068	-
Change in construction in progress - net of non-cash dedications	1,880,247	(12,112,649)
Gain / (Loss) in market value of treasury notes	133,507	(437,397)
Non-operating items	(18,446)	665
Non-operating gain on sale of equipment	202,369	-
Interest income earned	<u>1,190,020</u>	<u>170,393</u>
Net cash provided from (used by) investing activities	<u>(13,884,722)</u>	<u>(29,674,998)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from bonds payable	-	-
Retirement of bonds payable	(3,065,000)	(3,175,000)
Non refundable aid to construction	87,089	66,488
Change in accrued interest	(32,065)	313,155
Interest expense charged to operations	<u>(5,964,905)</u>	<u>(6,413,988)</u>
Net cash provided from (used for) capital and related financing activities	<u>(8,974,881)</u>	<u>(9,209,345)</u>
NET CHANGE IN CASH	(6,030,290)	(20,928,080)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>57,363,517</u>	<u>78,291,597</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 51,333,227</u>	<u>\$ 57,363,517</u>
DETAIL OF CASH AND CASH EQUIVALENTS:		
Unrestricted cash	\$ 16,227,043	\$ 17,012,809
Board reserved cash	14,401,146	12,212,108
Cash restricted by bond covenants	<u>20,705,038</u>	<u>28,138,600</u>
Total Cash and Cash Equivalents	<u>\$ 51,333,227</u>	<u>\$ 57,363,517</u>

The accompanying notes and independent auditors' report are an integral part of these financial statements.

WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022
(Increase (Decrease) in Cash)

	<u>2023</u>	<u>2022</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH		
FLOWS FROM OPERATING ACTIVITIES		
Net operating income	\$ 10,641,820	\$ 10,285,831
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	8,515,688	8,073,042
Depreciation charged to other accounts	204,816	206,064
Change in accounts receivable - customer	(453,259)	296,223
Change in accounts receivable - other	54,260	(146,128)
Change in inventory	(1,386,365)	(217,646)
Change in prepaid expenses	18,531	(39,646)
Change in accounts payable	(755,530)	(272,453)
Change in payable to contractors	(33,507)	14,975
Change in customer deposits	404,493	329,551
Change in deferred outflows	(855,305)	(468,476)
Change in pension liability	1,767,677	(220,673)
Change in deferred inflows	(619,622)	657,328
Change in accrued absences	(9,765)	47,459
Change in accrued liabilities	7,340	14,715
Net Adjustments	<u>6,859,452</u>	<u>8,274,335</u>
Net cash provided by (used in) operations	<u>\$ 17,501,272</u>	<u>\$ 18,560,166</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	\$ 5,996,970	\$ 6,100,833
NON-CASH TRANSACTIONS		
Aid to construction	\$ 8,041,086	\$ 4,207,080
Amortization of bond closing costs - regulatory asset	\$ 213,104	\$ 232,769
Accretion of bond premium - regulatory liability	\$ (420,177)	\$ (425,105)

The accompanying notes and independent auditors' report are an integral part of these financial statements.

THE WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Water and Wastewater Board of the City of Madison, Madison County, Alabama (Madison Utilities) have been prepared in accordance with generally accepted accounting principles (GAAP) of the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of Madison Utilities accounting principles are described below:

Reporting Entity and Organization

Statements No. 14, 39 and 61 of the GASB establishes standards for defining and reporting on the financial reporting entity. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government may be financially accountable for a legally separate agency if its officials appoint a voting majority of that agency's governing body. Madison Utilities was organized under Alabama Code Sections 11-50-310 through 324. Madison Utilities is overseen by a five member Board of Directors all of whom are appointed by the City Council of the City of Madison, Alabama. The Board Members serve staggered six-year terms. Members of the City of Madison City Council may serve on the Board of Directors during their term in office. Madison Utilities is authorized to exercise control of the water and wastewater departments; adopt and modify budgets as required, set its own rates, issue its own debt, and enter into and exercise contracts. However, based on the significance of the relationship between the City of Madison and Madison Utilities, Madison Utilities is a component unit of the City of Madison, Alabama. There are no component units which should be included as part of the financial reporting entity of Madison Utilities.

Basis of Accounting

Madison Utilities has adopted the provisions of GASB #34, as modified by GASB #62, and nomenclature changes in GASB #63. GASB #34, as modified by GASB #63, established standards for external reporting for all state and local governmental entities and their component units, that includes a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. GASB #34, as modified by GASB #63 requires the classification of net position into three components: 1) Invested in capital assets net of related debt – This component of net position consists of capital assets, net of accumulated depreciation, other long lived assets reduced by the outstanding long-term portion balances of any bonds, mortgages, notes, or other borrowings that are attributable to long lived and capital assets. 2) Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, such as debt covenants, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional or enabling legislation and reduced by liabilities payable from restricted assets. 3) Unrestricted – This component of net position consists of net position that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.” Madison Utilities has elected to follow GASB #62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements" (**paragraphs 476-500, for regulated operations**) and nomenclature changes under GASB #63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." GASB #62 incorporates accounting and financial reporting guidance from FASB and AICPA pronouncements into the GASB authoritative literature. GASB #62 supersedes GASB #20, "Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities That Use Proprietary Fund Accounting." GASB #62 permits continued amortization of deferred charges and credits. The impact of the adoption of these accounting standards on financial condition and presentation and reporting results of operations and cash flows is inconsequential.

THE WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Madison Utilities' accounting records follow Federal Energy Regulatory Commission (FERC) uniform system of accounts and guidelines promulgated for water & sewer utilities.

Madison Utilities uses the accrual basis of accounting under which revenues are recognized when earned concurrent with billing to customers on a monthly basis and expenses are recognized when incurred, even though actual payment or receipt may not occur until after the period ends. Madison Utilities accrues unbilled revenue from the most recent meter readings to the end of the year.

Policy Regarding Presentation of Operating and Non-Operating Income and Expenses

As required by FERC, the statement of Revenue and Expenses presents operating and non-operating activities separately. Operating activities are evaluated for purposes of rate making decisions. Non-operating activities include income and expense items and are not considered for purposes of rate making decisions.

Policy Regarding Use of Restricted and Unrestricted Cash

Regarding whether restricted funds or unrestricted funds are considered to have been spent when an expenditures is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of Madison Utilities to expend restricted funds first followed by unrestricted funds.

Recent Accounting Standards

GASB has issued the following pronouncements that may affect financial position, results of operations, cash flows, financial presentation and related notes to the financial statements. Management has evaluated the effect, if any, of implementation of these standards and believes that the impact is inconsequential.

Madison Utilities has early implemented GASB #89 that is related to capitalization of construction period interest. Under the new standard construction period interest will be charged to operations. Additional standards are as follows:

<u>GASB #</u>	<u>GASB Standard</u>	<u>Effective Date</u>
87	Leases	2022
88	Certain Disclosures Related to Debt	2022
91	Conduit Debt Obligations	2022
94	Availability Pay Arrangements	2022
96	Subscription Based IT Arrangements	2022
97	457 Deferred Compensation Plans	2022

THE WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Plant in Service, Depreciation, Amortization and Construction Period Interest

Utility plant and construction in progress are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful life of the assets ranging from five to fifty years. The cost of self constructed assets includes materials, labor and overhead. Retirements of units of property from service are credited against plant in service at the original cost of the units and related accumulated depreciation and amortization are debited at the date of retirement. Improvements that extend the useful life of the assets are capitalized and depreciated over the remaining useful life of the asset. The cost of maintenance, repairs and replacement of minor items of property are charged to operations and maintenance accounts. Madison Utilities has early adopted GASB 89, "Accounting for Interest Costs Incurred During Construction" and will expense all construction period interest. Depreciation and amortization expense allowed for contractor's equipment is allocated to operating accounts and to construction work in progress as overhead incurred. Detail of activity related to plant in service, accumulation depreciation and useful lives of assets for the year ended September 30, 2023 is found on pages 27 and 28. Comparative data for 2022 is available in that year's financial statements.

Materials and Supplies Inventories

Materials and supplies inventories are stated at the aggregate amount of the lower of cost (average cost) or market.

Cash Equivalents

For purposes of the statements of cash flows, Madison Utilities considers all highly liquid temporary cash investments with low interest rate risk to be cash equivalents. Cash purchases and sales of these investments generally are part of the cash management activities rather than part of its operating, investing and financing activities, and details of these transactions are not reported in the statement of cash flows. Special funds are provided for under trust indentures and are considered cash equivalents. All special funds are considered cash equivalents for purposes of classification in the statement of cash flows.

Regulatory Asset and Liability

Regulatory accounting, as promulgated under GASB #62, allows a regulated utility to defer a cost and a liability and amortize that asset/ liability over the period of its useful life rather than report the items as current period activity. Madison Utilities has included unamortized bond cost and premium paid in excess of face value of bonds as a regulatory asset / liability in the accompanying statement of net assets. Amortization is included as non-operating activity, at net, in the accompanying statement of activities.

Reclassifications

Reclassifications have been made to the 2022 financial statements so that they conform to the 2023 presentation.

THE WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 and 2022

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

At September 30, 2023 and 2022, all cash and cash equivalents of Madison Utilities are entirely insured or collateralized as provided by the Security for Alabama Funds Enhancement Act (SAFE) as prescribed in section 41-14A of the code of the state of Alabama with a Qualified Public Fund Depository. Funds held for the benefit of the Madison Utilities by the depository banks' trust departments or agents, construction funds, are not covered by SAFE but are invested in "qualified" U. S. governmental securities or are secured by U. S. government securities as required and defined in the trust indentures. A detail of cash, cash equivalents is as follows:

<u>Description</u>	<u>2023</u>		<u>2022</u>
Cash on hand	\$ 1,050	\$	1,050
Carrying amount of cash equivalents:			
Gross Revenue Fund	16,225,993		17,011,759
Customer Meter Deposit Fund	4,289,593		3,885,100
Water Tank Maintenance Reserve	1,323,703		1,581,225
CMOM sewer & water main replacement fund	2,197,012		1,457,508
Renewal / replacement fund	4,320,866		4,248,919
RSA - Retirement fund	204,226		204,226
SRF principal and interest	1,970,944		768,076
Insurance Cash Reserve	94,802		67,054
Sub-total	<u>30,627,139</u>		<u>29,223,867</u>
Indentured funds:			
2006 replacement funds	2,145,770		2,140,496
2015 bond fund	1,209,753		1,170,807
2017 bond fund	948,270		932,196
2020 bond fund	1,039,526		1,023,141
2017 reserve fund	5,285,549		5,285,549
2017 & 2020 construction fund	<u>10,076,170</u>		<u>17,586,411</u>
Sub-total	<u>20,705,038</u>		<u>28,138,600</u>
Total Cash	<u>\$51,333,227</u>	\$	<u>57,363,517</u>

<u>Presented in the financial statements</u>	<u>2023</u>		<u>2022</u>
Cash	\$ 16,227,043		\$ 17,012,809
Tank maintenance fund	1,323,703		1,581,225
CMOM sewer & water main replacement fund	2,197,012		1,457,508
SRF principal and interest	1,970,944		768,076
RSA retirement fund	204,226		204,226
Insurance reserve	94,802		67,054
Customer deposits	4,289,593		3,885,100
Contingency, expansion and replacements	4,320,866		4,248,919
Bond reserve funds	7,294,823		7,289,549
Bond principal and interest funds	3,197,549		3,126,144
Bond replacement funds	136,496		136,496
Bond construction funds	<u>10,076,170</u>		<u>17,586,411</u>
Total	<u>\$ 51,333,227</u>	\$	<u>57,363,517</u>

THE WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 and 2022

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS – Continued

Letters of credit - Commercial and Residential Customers are permitted to furnish a letter of credit to Madison Utilities in lieu of paying a cash deposit. At September 30, 2023 and 2022, the total value of letters of credit provided by commercial customers is \$13,200 and \$90,200, respectively. These amounts are not reflected in the accompanying financial statements.

Interest rate risk - In accordance with its bond indenture, Madison Utilities manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio in the bond funds to such stated maturities as will assure the availability of cash sufficient to pay, on a timely basis, the interest and principal of the bonds coming due.

Credit risk - Madison Utilities bond indentures for the outstanding Water and Wastewater System Warrants, limit the investments of the various funds to the following: a) securities that are direct obligations of the United States and any securities that are with respect to which the payment of the principal thereof and the interest thereon is unconditionally and irrevocably guaranteed by the United States, b) custodial receipts evidencing ownership in United States Treasury obligations, and c) demand or time deposits in domestic banks rated no less than “AA” by Standard & Poor’s Ratings Services or “Aa” by Moody’s Investors Service.

At September 30, 2023, Madison Utilities investments consisted of Progress Bank 100% U.S. Treasury Securities Money Market Funds which are primarily comprised of U.S. Treasury obligations maturing in 397 days or less.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, Madison Utilities will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2023, Madison Utilities has no investments or collateral securities (repurchase agreement) in the possession of an outside party.

NOTE 3 – ACCOUNTS RECEIVABLE

Customer accounts receivable represents the amount due to Madison Utilities for services provided. The following is a summary of accounts receivable - trade at September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Customer accounts receivable	\$1,442,304	\$1,375,110
Unapplied cash receipts	(258,965)	(213,547)
Earned and unbilled revenue	<u>1,569,610</u>	<u>1,137,839</u>
Sub-total	2,752,949	2,299,402
Less: allowance for uncollectible	<u>(86,538)</u>	<u>(86,250)</u>
Total	<u>\$2,666,411</u>	<u>\$2,213,152</u>

Current earnings are charged with an allowance for doubtful accounts based on a percent of gross revenue, determined from prior years' bad debt experience and on an evaluation of each customer’s capacity to pay the Board for utility services provided to them.

THE WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 and 2022

NOTE 4 – FRANCHISE FEES / TAX EQUIVALENTS & COMMITMENTS - RELATED PARTY

Madison Utilities is not subject to income taxes, either at the federal or state level. However, Madison Utilities pays to the City of Madison a 3% franchise fee based on gross revenues from sales of utility services, from within and without the corporate limits of the City. The franchise was granted by the City Council of the City of Madison on September 10, 1991 for the purpose of confirming and clarifying the holder of ownership interest in water and sewer infrastructure owned by the City of Madison and transferred to Madison Utilities. Franchise fees are due not later than September 1 each year for the previous year ended September 30. Franchise fees paid during the year ended September 30, 2023 and 2022 are as follows:

<u>Description</u>	<u>2023</u>	<u>2022</u>
Franchise fees paid	\$ 671,959	\$ 603,903

NOTE 5 – AID TO CONSTRUCTION / DEVELOPER CONTRIBUTIONS

It is the policy of Madison Utilities to record grants in aid of construction and other amounts received as capital contributions in the statement of revenues, expenses and changes in net assets. Madison Utilities accepts utility plant constructed by developers and builders in connection with the development of subdivisions. To be accepted: 1) The developer must submit to Madison Utilities a summary of the cost of the infrastructure to be constructed. 2) The infrastructure must meet the technical specifications of Madison Utilities. 3) Once accepted the contribution is recorded at cost. 4) Once accepted Madison Utilities assumes responsibility for repairs and maintenance. Capital contributions received in advance of the construction or installation of plant in service are recorded as reductions of construction work in progress until the project is completed, at which time the cash receipt, by project, is recognized as income. Aid to construction and developer contributions for the years ended September 30, 2023 and 2022:

<u>Description</u>	<u>2023</u>	<u>2022</u>
Water System Developer Asset Transfers – Non-cash dedications	\$ 2,184,148	\$ 1,466,748
Sewer System Developer Asset Transfers – Non-cash dedications	<u>5,856,344</u>	<u>2,740,332</u>
	8,041,086	4,207,080
Cash contributions for projects during the year	<u>87,089</u>	<u>66,488</u>
Total	\$ 8,128,175	\$ 4,273,568
Cash reimbursements received and included in construction work in progress at year end.	\$ -0-	\$ -0-

NOTE 5 – COMPENSATED ABSENCES

Annual Leave

All classified and unclassified service employees earn annual leave with pay based upon a progressive schedule of completed years of continuous service. Normally an employee will be expected to take his or her annual leave in the leave year that it is earned. However, a total of 30 days of unused leave may be carried forward from one leave year to the next. Any leave that exceeds 30 days at the end of the leave year will be transferred to the employee's sick leave balance. Employees may elect, in writing to donate annual leave to other employees due to serious illness or disability. Accrued compensated absences in the accompanying financial statements include related payroll tax liabilities. Roll-forward is as follows:

<u>Year</u>	<u>Beginning</u>	<u>Additions</u>	<u>Used</u>	<u>Ending</u>
2023	\$282,361	\$172,630	\$182,395	\$272,596
2022	\$234,902	\$192,462	\$145,003	\$282,361

THE WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2023 and 2022

NOTE 5 – COMPENSATED ABSENCES - Continued

Sick Leave

All classified and unclassified service employees earn sick leave at the rate of 3.7 hours per pay period for a total of 12 days of sick leave per year. Unused sick leave may be converted to retirement service credit in accordance with Madison Utilities resolution, the code of Alabama and the policies of the Retirement System of Alabama. However, upon separation of service, employees forfeit any accumulated unused sick leave. Accordingly, no liability is reflected in the accompanying financial statements for accumulated unused sick leave.

NOTE 6 – CUSTOMER DEPOSITS

At year end Madison Utilities held customers deposits to cover potential non-payment of utility bills. The amount “returned” each year is the best estimate of the current portion of customer deposit liabilities. Roll-forward of the customer deposit liability follows:

<u>Year</u>	<u>Beginning</u>	<u>New Deposits</u>	<u>Returned</u>	<u>Ending</u>
2023	\$3,885,100	\$998,818	(\$594,325)	\$4,289,593
2022	\$3,555,549	\$969,462	(\$639,911)	\$3,885,100

NOTE 7 - DEFINED BENEFIT PENSION PLAN AND DESCRIPTION

General

The Employees Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with the requirements of the Governmental Accounting Standards Board GASB). The Employees Retirement system of Alabama (ERS), an agency multiple-employer plan, was established in October 1945 under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its board of control. The ERS Board of Control consists of 13 trustees: The Governor, State Treasurer, State Personnel Director, State Director of Finance, Three vested members appointed by the Governor for a term of four years, Six who are elected by members from the same category of ERS for a term of four years. The Plan is administered by the Retirement System of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of control. **The Plan issues a publicly available financial report, including actuarial information, that can be obtained at www.rsa-al.gov.**

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60, (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of credible service or with 25 years or 30 years of service (regardless of age), depending on the particular entity’s election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on

THE WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 and 2022

NOTE 7 - DEFINED BENEFIT PENSION PLAN – CONTINUED

Benefits Provided - Continued

a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method. Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of credible service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under to formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method. Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

Contributions and Funding Status

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members. Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 Covered members of ERS local participating employers. The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan.

Covered employee payroll for 2022 year determined by the actuary, the most recent available, was \$3,523,270. Net pension liability as a percentage of covered employee payroll is 145.35%. The Plan fiduciary net position as a percentage of the total pension liability is 62.46%.

Effective October 1, 2020, the Madison Utilities adopted Act 2019-132 allowing Tier II employees to receive Tier I benefits and pay Tier I rates.

THE WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 and 2022

NOTE 7 - DEFINED BENEFIT PENSION PLAN – CONTINUED

Actuarial Assumptions

Mortality rates were based on the sex distinct RP-2000 blue Collar Mortality Table Projected with Scale BB to 2021 with an adjustment of 125% at all ages for males and 120% for females ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2021 with an adjustment of 130% at all ages for females. The actuarial assumptions used in the actuarial valuation as of September 30, 2018, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016. The long-term expected rate of return on pension plan investment was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The discount rate used to measure the total pension liability was the long-term rate of return. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

For the fiscal year beginning October 1, 2024, the Madison Utilities' portion, for Tier I employees consists of a 0.82% normal contribution rate, a 7.16% accrued liability rate, a .07% pre-retirement death benefit and a .30% administrative expense rate, totaling a 8.35% rate. For the fiscal year beginning October 1, 2024, the Madison Utilities' portion, for Tier II employees consists of a 1.31% normal contribution rate, a 7.16% accrued liability rate, a .07% pre-retirement death benefit and a .30% administrative expense rate, totaling a 8.84% rate. The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee services to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the system's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the system and employers.

Effective for plan years beginning June 30, 2015, GASB #68 and #71 and as modified, sets standards for the measurement, recognition and disclosure in financial statements of plan liabilities. Under Alabama law the Madison Utilities has sole responsibility for funding this liability.

The most recent actuarial valuation date for data presented is September 30, 2021.

Pension related comparative data for the year ended September 30, 2021 is available in that year's financial statements. Pension related disclosures relevant to Madison Utilities for the year ended September 30, 2022 follows:

THE WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 and 2022

NOTE 7 - DEFINED BENEFIT PENSION PLAN – CONTINUED

MEMBERSHIP AS OF THE MEASUREMENT DATE

	<u>Allocate Total</u> <u>Pension liability</u>	Allocate Fiduciary <u>Net Position</u>	MUB <u>Members</u>
Members or Beneficiaries Receiving Benefits	\$ 2,522,072	\$ 1,575,308	22
Vested Inactive	343,919	216,815	3
Non-vested Inactive Members	4,127,027	2,577,776	36
Post DROP	-	-	0
Active members	<u>6,649,098</u>	<u>4,151,084</u>	<u>58</u>
Total	<u>\$ 13,642,116</u>	<u>\$ 8,520,983</u>	<u>119</u>

SENSITIVITY OF THE NPL TO CHANGES IN THE DISCOUNT RATE

Decrease of 1% to 6.45%	\$ 6,672,950
Current Discount Rate 7.45%	\$ 5,121,133
Increase of 1% to 8.45%	\$ 3,810,929

SCHEDULE OF CHANGES / ROLLFORWARD IN NET PENSION LIABILITY

	Total Pension <u>Liability</u>	Plan Fiduciary Net <u>Position</u>	Net Pension <u>Liability</u>
Balances at September 30, 2021	\$ <u>12,978,290</u>	# \$ <u>9,624,834</u>	\$ <u>3,353,456</u>
Changes for the year:			
Service cost	288,104	-	288,104
Interest	944,878	-	944,878
Changes of benefit terms	14,356	-	14,356
Changes of assumptions:	-		375,937
Difference between expected and actual experience:	(151,301)		(151,301)
Change in assumptions	-		
Contributions - employer	-	313,117	(313,117)
Contributions - employee	-	254,836	(254,836)
Net investment income	-	(1,239,593)	1,239,593
Benefits payments, including refunds	(590,740)	(590,740)	-
Administrative expense	-	-	-
Transfers among employers	<u>158,529</u>	<u>158,529</u>	<u>-</u>
Net Changes	<u>663,826</u>	<u>(1,103,851)</u>	<u>1,767,677</u>
Balances at September 30, 2022	<u>\$ 13,642,116</u>	<u>\$ 8,520,983</u>	<u>\$ 5,121,133</u>

THE WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 and 2022

NOTE 7 - DEFINED BENEFIT PENSION PLAN – CONTINUED

SUMMARY OF DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

	Deferrd <u>Outflows</u>	Deferred <u>Inflows</u>
Differences between expected and actual experiences	\$ 390,064	\$ 226,790
Changes of assumptions	251,450	-
Net difference between projected and actual earnings on plan investments	1,014,149	-
Employer contributions after mesurement date	<u>404,535</u>	<u>-</u>
Total	<u>\$ 2,060,198</u>	<u>\$ 226,790</u>

PENSION EXPENSE:

Service cost	\$ 288,104
Interest on total pension liability	944,878
Current period benefit changes	14,356
Expensed portion of current period differences and actual experience in the total pension liability	(29,096)
Expensed portion of current period assumption changes	-
Member contributions	(254,836)
Projected earnings on plan investments	(722,107)
Recognition of beginning deferred outflows as expense	238,655
Recognition of beginning deferred inflows as expense	(186,616)
Expensed portion of current period differences between and actual and projected earnings on plan investments	<u>392,340</u>
Total Pension Expense	<u>\$ 685,678</u>

THE WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2023 and 2022

NOTE 7 - DEFINED BENEFIT PENSION PLAN – CONTINUED

Roll-Forward of the Total Pension Liability	<u>Expected</u>	<u>Actual</u>	<u>Actual After Act 2019-132</u>
TPL as of September 30, 2021	\$12,978,290	\$12,837,480	\$12,850,516
Discount Rate	7.45%	7.45%	7.45%
Entry Age Normal Cost	288,104	288,104	288,104
Transfers	-	158,529	158,529
Actual Benefit Payments	<u>(590,740)</u>	<u>(590,740)</u>	<u>(590,740)</u>
TPL as of September 30, 2022	<u>\$ 13,620,532</u>	<u>\$ 13,627,760</u>	<u>\$ 13,642,116</u>
Difference Between Expected and Actual		7,228	
Less Liability transferred		158,529	
Experience (Gain)/ Loss		(151,301)	
Change (Gain) / loss			\$ 14,356

Schedule of Amortization of Deferred Inflows and Outflows

<u>Year</u>	<u>Amount</u>
2024	\$ 414,365
2025	315,907
2026	287,470
2027	416,952
2028	(5,821)
Thereafter	-
Total	<u>\$ 1,428,873</u>

THE WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2023 and 2022

NOTE 7 - DEFINED BENEFIT PENSION PLAN – CONTINUED

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contribution for fiscal year 2022 was based on September 30, 2019 actuarial valuation.

Methods and assumption used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level % closed
Remaining amortization period	25.9
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases including 3% inflation	3.25-5.00%
Investment rate of return	7.70%
Cost of living adjustments	NONE

Target asset allocation of the ERS Plan and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return
Fixed Income	17%	4.4%
U.S. Large Stocks	32%	8.0%
U.S. Mid-Stock	9%	10.0%
U.S. Small Stocks	4%	11.0%
<i>International Developed Market Stocks</i>	<i>12%</i>	<i>9.5%</i>
International Emerging Market Stocks	3%	11.0%
Alternatives	10%	10.1%
Real Estate	10%	7.5%
Cash Equivalents	<u>3%</u>	1.5%
Total	100%	

THE WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 and 2022

NOTE 8 - MAJOR CUSTOMERS AND CUSTOMER CREDIT CONCENTRATIONS

Major customers are defined as generating 10% or more in sales. No customer meets this criteria.

Residential and Commercial customers must pay a deposit or provide a letter of credit or provide another form of acceptable security as defined by Madison Utilities and executed in favor of Madison Utilities to minimize risk of exposure for unpaid accounts. Madison Utilities also has a customer cut-off policy in the event that a customer does not remit timely payment for utility services.

NOTE 9 – BONDS PAYABLE

Madison Utilities issues, direct placement, long-term debt for water and sewer system improvements. Bond issue repayment terms are stipulated by bond trust agreements and indentures. All bonds are issued in the name of The Water and Wastewater Board of the City of Madison, Alabama and are secured by operating revenue of Madison Utilities. Bonds payable are reported in the financial statements at face value. Bond premiums are reported separately, as a regulatory liability, by bond issue. The cost of issuance of debt is capitalized and reported separately as a regulatory asset. Premiums and bond issuance costs are amortized over the life of the bond issue using the straight-line method. Activity during the year ended September 30, 2023 is summarized below. The detail schedule of annual principal and interest maturities by bond issue is presented as additional information on page 29.

WATER AND SEWER REVENUE BONDS, SERIES 2015

Water and Sewer Revenue Bonds, Series 2015, were issued in the original amount of \$20,040,000. The Bonds mature serially according to stated maturity dates on December 1 each year beginning December 1, 2015 through December 1, 2031. Interest is due on June 1 and December 1 each year according to stated maturity dates and interest rates ranging from 3.5% to 5.00% per year.

Optional Redemption - The Series 2015 Bonds are subject to redemption at the option of Madison Utilities on any date on or after December 1, 2025 at par plus accrued interest.

The Water and Sewer System is required to establish a cash reserve fund equal to the maximum annual debt service requirement. At September 30, 2023, the balance in the fund is the minimum required by the indenture. The bond indenture requires the Water System to establish a cash reserve account equal to one-twelfth (1/12) of the principal of the Series 2015 Bonds coming due on December 1 each year and one-sixth (1/6) of the interest due on June 1 and December 1 each year. At September 30, 2023, the balance in the fund is in compliance with the indenture. The Water and Sewer System Revenue Bonds, Series 2015 is in compliance with Internal Revenue Code Sections 103(b)(2) and 148.

The 2015 Bonds are secured by the net revenues from the operations of the Water and Sewer System after payment of the cost of its operations and maintenance and by the monies and investments on deposit in trust funds created by the Trust Indenture under which the bonds were issued.

THE WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 and 2022

NOTE 9 – BONDS PAYABLE – CONTINUED

WATER AND SEWER REVENUE BONDS, SERIES 2017

Water and Sewer Revenue Bonds, Series 2017, were issued in the original amount of \$63,360,000. The bonds mature serially according to stated maturity dates on December 1 each year beginning December 1, 2022 through December 1, 2047. Interest is due on June 1 and December 1 each year according to stated maturity dates and interest rates ranging from 3.75% to 5.00% per year.

Optional Redemption - The Series 2017 Bonds are subject to redemption at the option of Madison Utilities on any date on or after December 1, 2026 at par plus accrued interest.

The Water and Sewer System is required to establish a cash reserve fund equal to the maximum annual debt service requirement. At September 30, 2023, the balance in the fund is the minimum required by the indenture. The bond indenture requires the Water System to establish a cash reserve account equal to one-twelfth (1/12) of the principal of the Series 2017 Bonds coming due on December 1 each year and one-sixth (1/6) of the interest due on June 1 and December 1 each year. At September 30, 2023, the balance in the fund is in compliance with the indenture. The Water and Sewer System Revenue Bonds, Series 2017 is in compliance with Internal Revenue Code Sections 103(b)(2) and 148.

The 2017 Bonds are secured by the net revenues from the operations of the Water and Sewer System after payment of the cost of its operations and maintenance and by the monies and investments on deposit in trust funds created by the Trust Indenture under which the bonds were issued.

WATER AND SEWER REVENUE BONDS, SERIES 2020

Water and Sewer Revenue Bonds, Series 2020, were issued in the original amount of \$61,815,000. The bonds mature serially according to stated maturity dates on December 1 each year beginning December 1, 2022 through December 1, 2050. Interest is due on June 1 and December 1 each year according to stated maturity dates and interest rates ranging from 2.00% to 5.00% per year.

Optional Redemption – The Series 2020 Bonds are subject to optional redemption at the option of Madison Utilities on any date on or after December 1, 2030 at par plus accrued interest.

Mandatory Redemption – The Series 2020 Bonds are subject to mandatory redemption on December 1, 2041, 2042, 2043 and 2044 at par plus accrued interest.

The Water and Sewer System purchased a Municipal Bond Debt Service Reserve Insurance Policy in an amount equal to the maximum required reserve. The bond indenture requires the Water System to establish a cash reserve account equal to one-twelfth (1/12) of the principal of the Series 2017 Bonds coming due on December 1 each year and one-sixth (1/6) of the interest due on June 1 and December 1 each year. At September 30, 2023, the balance in the fund is in compliance with the indenture. The Water and Sewer System Revenue Bonds, Series 2020 is in compliance with Internal Revenue Code Sections 103(b)(2) and 148.

The 2020 Bonds are secured by the net revenues from the operations of the Water and Sewer System after payment of the cost of its operations and maintenance and by the monies and investments on deposit in trust funds created by the Trust Indenture under which the bonds were issued.

THE WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 and 2022

NOTE 9 – BONDS PAYABLE - CONTINUED

SUBORDINATED WATER AND SEWER REVENUE BONDS, SERIES 2010-SRF

Water and Sewer Revenue Bonds, Series 2010-SRF, were issued in the original amount of \$13,315,000. The bonds matured serially according to stated maturity dates on August 15 each year beginning August 15, 2011 through August 15, 2022. Interest was due on August 15 and February 15 each year according to stated maturity dates and interest at 2.50% per year. Series 2010-SRF were fully retired during the year ended September 30, 2022.

SUBORDINATED WATER AND SEWER REVENUE BONDS, SERIES 2013-DWSRF-BL

Subordinated Water and Sewer Revenue Bonds, Series 2013-DWSRF-BL, were issued in the original amount of \$11,440,000. The bonds mature serially according to stated maturity dates on August 15 each year beginning August 15, 2005. Interest is due on August 15 and February 15 each year according to stated maturity dates and interest at 1.6% per year.

Optional Redemption – The Series 2013-DWSRF-BL bonds are subject to redemption at the option of Madison Utilities on any date on or after August 15, 2023 at par plus accrued interest.

The Series 2013-DWSRF-BL bonds are secured by the net revenues from the operations of the Water and Sewer System after payment of the cost of its operations and maintenance and by the monies and investments on deposit in trust funds created by the Trust Indenture under which the bonds were issued.

SUBORDINATED WATER AND SEWER REVENUE BONDS, SERIES 2014-SRF

Subordinated Water and Sewer Revenue Bonds, Series 2014-SRF, were issued in the original amount of \$2,955,000. The bonds mature serially according to stated maturity dates on February 15 each year beginning February 15, 2016. Interest is due on February 15 and August 15 each year according to stated maturity dates and interest at 2.45% per year.

Optional Redemption – The Series 2014-SRF bonds are subject to redemption (30 days notice required) at the option of Madison Utilities on any date on or after January 1, 2024 at par plus accrued interest.

The Series 2014-SRF bonds are secured by the net revenues from the operations of the Water and Sewer System after payment of the cost of its operations and maintenance and by the monies and investments on deposit in trust funds created by the Trust Indenture under which the bonds were issued.

THE WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 and 2022

NOTE 9 – BONDS PAYABLE - CONTINUED

SUBORDINATED WATER AND SEWER REVENUE BONDS, SERIES 2016-SRF

Subordinated Water and Sewer Revenue Bonds, Series 2016-SRF, were issued in the original amount of \$16,110,000. The bonds mature serially according to stated maturity dates on February 15 each year beginning February 15, 2018. Interest is due on February 15 and August 15 each year according to stated maturity dates and interest at 2.20% per year.

Optional Redemption – The Series 2016-SRF bonds are subject to redemption at the option of Madison Utilities on any date after February 15, 2026 at par plus accrued interest.

The Series 2016-SRF bonds are secured by the net revenues from the operations of the Water and Sewer System after payment of the cost of its operations and maintenance and by the monies and investments on deposit in trust funds created by the Trust Indenture under which the bonds were issued.

Comparative data for the year ended September 30, 2022 is available in that year’s financial statements. Bond principal activity disclosure relevant to Madison Utilities for the year ended September 30, 2023 follows:

<u>BOND ISSUE</u>	<u>Balance</u> <u>9/30/2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/2023</u>
Water and Sewer Revenue Bonds:				
Series - 2015	19,070,000	-0-	1,080,000	17,990,000
Series - 2017	63,360,000	-0-	-0-	63,360,000
Series - 2020	61,815,000	-0-	390,000	61,425,000
Subordinated Water and Sewer Revenue Bonds:				
Series – 2013 DWSRF	1,485,000	-0-	730,000	755,000
Series – 2014 SRF	2,080,000	-0-	140,000	1,940,000
Series – 2016 SRF	<u>12,720,000</u>	<u>-0-</u>	<u>725,000</u>	<u>11,995,000</u>
Sub-total bonds	<u>160,530,000</u>	-0-	<u>3,065,000</u>	<u>157,465,000</u>
Plus: Bond premium / regulatory liability				
2015	1,066,620	-0-	118,513	948,107
2017	2,731,371	-0-	187,294	2,544,077
2020	<u>3,145,162</u>	-0-	<u>114,370</u>	<u>3,030,792</u>
Sub-total bond premium	<u>6,943,153</u>	-0-	<u>420,177</u>	<u>6,522,976</u>
Less: Current Portion of Water and Sewer Revenue Bonds Payable				
	<u>(3,065,000)</u>			<u>(3,160,000)</u>
Long-term Portion of Water and Sewer Revenue Bonds Payable				
	<u>\$ 164,408,153</u>			<u>\$ 160,827,976</u>

THE WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2023 and 2022

NOTE 10 – PROPERTY AND RIGHTS HELD UNDER DEFERRED COMPENSATION PLAN

Employees of Madison Utilities may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). Madison Utilities does not participate / provide matching funds for this employee benefit. The Plan is maintained by an independent Plan Administrator.

NOTE 11 – INSURANCE IN FORCE

Insurance coverage is combined for Water and Wastewater with the expense prorated to each operating department on a predetermined percentage. A detail schedule of Madison Utilities insurance in force is on page 26.

NOTE 12 – WASTEWATER TREATMENT COMMITMENT

Madison Utilities has entered into a Regional Wastewater Agreement, dated December 28, 1989 (Amended November 8, 2001) as follows: 1) The delivery / connection point with Huntsville will be at Meter Station Number 3 located near the Edgewater Subdivision in Madison. 2) Treatment capacity beginning October 1, 2008 provided under the agreement shall be reduced to 620,000 gallons per day. 3) It is understood that Madison Utilities owns no part of Huntsville’s wastewater treatment facility. Huntsville recognizes Madison’s current and future rights to utilize capacity of Huntsville’s facility under the terms of the 1989 agreement as amended.

NOTE 13 – COMMITMENTS – WATER PURCHASE AND SERVICE AGREEMENTS

Landowners

Madison Utilities has entered into various contracts with local landowners to purchase water from them. The future minimum purchase amounts under the take or pay contracts is as follows:

<u>Landowner</u>	<u>Date of Agreement or Amendment</u>	<u>Annual Minimum Number of Gallons Obligated to be Purchased</u>	<u>Term</u>
Fiorentino Well	July, 1 2020	300,000,000	3 years
Nickelson Well	April 1, 2022	20,000,000	3 years
Drake Well	February 10, 2020	-0-	10 years

The cost per 1,000 gallons purchased each month is as follows:

<u>Landowner</u>	
Fiorentino	\$0.12 Per 1,000 gallons
Drake	\$0.15 Per 1,000 gallons
Nickelson	\$0.12 Per 1,000 gallons

Each contract has an inflation adjustment provision. In order for the agreement to remain in effect, each property owner must meet certain conditions related to well head protection. Under the terms of the water purchase commitments, Madison Utilities purchased \$76,000 and \$61,538 during the years ended September 30, 2023 and 2022, respectively.

THE WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 and 2022

NOTE 13 – COMMITMENTS – WATER PURCHASE AND SERVICE AGREEMENTS - Continued

Limestone County Water and Sewer Authority - The Madison Utilities has entered into an agreement with this water department for 2.0 million gallons daily of water. There is no minimum requirement. No water was purchased under the terms of this agreement in 2023 or 2022.

Harvest Monrovia Water Authority - The Madison Utilities has entered into an agreement for up to 4.4 million gallons daily of emergency water, if excess water is available. No water was purchased under the terms of this agreement in 2023 or 2022.

Town of Triana - A memorandum of understanding entered into dated August 10, 2009, provides that MUB will provide services to Triana for operation and management of its entire water and sewer system. The extent of the services provided by MUB and the compensation have been established by an Operations and Management Agreement that was revised and executed in February 2018.

NOTE 14 – UNCERTAINTY - IMPACT OF COVID -19

Management evaluated the recent introduction of the COVID – 19 virus and its impact on Madison Utilities’ liquidity management and has concluded that while it is reasonably possible that the virus could have had a negative impact on budget and mission objectives, the specific impact is not readily determinable as of the date of these financial statements and is unlikely to have any impact on operations as customers are captive. Management continues to monitor supply chain and pricing issues. The financial statements do not include any adjustments, if any, that might result from the outcome of this uncertainty.

NOTE 15 - SUBSEQUENT EVENTS

Series 2023 Water and Wastewater Revenue Bonds

Series 2023, Water & Wastewater Revenue Bonds were issued in the amount of \$63,930,000 on November 20, 2023 at face value plus \$6,642,972 premium. Bond issuance costs are approximately \$570,378. The bonds are rated Aa2 by Moody’s and AA+ by Standard & Poors. Madison Utilities authorized additional retail rates of 16.82% for water & wastewater services effective December 1, 2023. Water and wastewater rates increases of 5.1%, 3.3% and 2.8% were also approved for the years beginning October 1, 2024, 2025, and 2026, respectively.

Purchase of Fiorentino Well and Water Rights

On November 17, 2023 Madison Utilities purchased the Fiorentino well and water rights for \$750,000.

General Disclosure

In preparing these financial statements, the Madison Utilities evaluated events and transactions for potential recognition or disclosure through the date of the auditors' report, which was the date the financial statements were available and issued. There are no additional events to be recorded or disclosed in the financial statements for the fiscal year ended September 30, 2023.

ADDITIONAL INFORMATION

WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
INSURANCE IN FORCE
September 30, 2023

UNAUDITED

COMMERCIAL PROPERTY:

Real and personal property (\$10,000 deductible)	\$ 108,526,787
Inland Marine - equipment (\$1,000 deductible)	3,649,710
Electronic equipment (\$1,000 deductible)	512,598
Equipment breakdown (\$-0- deductible)	100,000
Business income and extra expense	included
Flood (\$50,000 deductible)	1,000,000
Earthquake (\$50,000 deductible)	1,000,000

GENERAL LIABILITY

Bodily injury and property damage (\$5,000 deductible)	1,000,000
Employee benefits (\$1,000 deductible)	1,000,000
Personal and advertising	1,000,000
General aggregate	3,000,000
Damage to premises	100,000
Sewage backup	1,000,000

Automobile

Combined single limit (\$500 deductible)	1,000,000
Medical payments	5,000
Uninsured / underinsured motorist	1,000,000
Comprehensive and collision	ACV - Partial
Unit cost - new (\$500 deductible)	3,329,053
Hired vehicle physical damage	50,000

EXCESS LIABILITY

Umbrella form (\$10,000 deductible)	5,000,000
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PUBLIC OFFICIALS AND EMPLOYEES LIABILITY

Public Officials (\$5,000 retention per claim)	5,000,000
Employment Practices (\$25,000 deductible)	5,000,000

COMMERCIAL CRIME

Employee theft	25,000
Forgery, alterations, employee dishonesty	25,000
Theft (\$500 deductible)	25,000
Computer fraud	50,000
Money orders and counterfeit paper currency	25,000

WORKMEN'S COMPENSATION

Employer's liability	1,000,000
Bodily injury – accident	Statutory
Bodily injury – disease	Statutory

NOTE: Insurance is carried by Madison Utilities to cover the combined operations Water and Sewer. The above coverage reflects the total policies for all Systems, unless otherwise noted.

WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
UTILITY PLANT AND ACCUMULATED DEPRECIATION
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Balance Oct 1, 2022	Reclass	Additions	Retirements	Balance Sept 30, 2023
<u>General Plant</u>					
Land & Land Rights	\$ 147,527	\$ -	\$ -	\$ -	\$ 147,527
New Office Complex	714,524	-	-	-	714,524
Main Office Improvements	1,403,109	-	-	-	1,403,109
Warehouse	939,860	-	-	-	939,860
Transportation Equipment	2,361,948	-	13,745	(136,316)	2,239,377
Tools & Work Equipment	993,256	-	62,210	(8,129)	1,047,337
Heavy Equipment	4,489,334	-	853,470	(711,318)	4,631,486
Office Furniture	158,772	-	8,968	-	167,740
Communication Equipment	667,343	-	-	-	667,343
Software Upgrades	388,967	-	-	-	388,967
Computer Equipment	723,845	-	56,061	-	779,906
Subtotal	<u>12,988,485</u>	<u>-</u>	<u>994,454</u>	<u>(855,763)</u>	<u>13,127,176</u>
<u>Water Plant</u>					
Land	1,941,586	-	25,464	-	1,967,050
Wells	4,303,112	-	-	-	4,303,112
Pumping Station & Equipment	1,661,601	-	-	-	1,661,601
Keene Water Treatment Plant	5,797,072	-	-	-	5,797,072
Quarry Water Treatment Plant	38,296,958	-	-	-	38,296,958
Lab Equipment	69,771	(4,945)	13,653	-	78,479
Water Tanks	7,606,400	-	-	-	7,606,400
Water Distribution System	62,780,998	-	1,060,113	-	63,841,111
Water New Services	10,047,127	-	1,268,223	-	11,315,350
Fire Hydrants	5,607,609	-	87,293	-	5,694,902
Misc. Equipment	63,509	-	-	-	63,509
Meters	5,492,601	-	2,416,113	(290,518)	7,618,196
Subtotal	<u>143,668,344</u>	<u>(4,945)</u>	<u>4,870,859</u>	<u>(290,518)</u>	<u>148,243,740</u>
<u>Wastewater Plant</u>					
Land & Land Rights	1,171,003	-	-	-	1,171,003
Intangible Sewer Plant	3,749,324	-	-	-	3,749,324
Meters - Triana	62,035	-	-	-	62,035
Wells	643,724	-	-	-	643,724
Sewer - New Services	9,458,903	-	-	-	9,458,903
Manholes	10,945,590	-	344,393	-	11,289,983
Sewer Lift Stations & Pumping	22,756,465	-	-	-	22,756,465
Sewer Mains & Outfall Lines	106,292,613	-	11,076,182	-	117,368,795
Wastewater Treatment Plant	38,643,569	-	35,000	-	38,678,569
Misc. Equipment	146,440	4,945	3,599	-	154,984
Subtotal	<u>193,869,666</u>	<u>4,945</u>	<u>11,459,174</u>	<u>-</u>	<u>205,333,785</u>
Total	<u>\$ 350,526,495</u>	<u>\$ -</u>	<u>\$ 17,324,487</u>	<u>\$ (1,146,281)</u>	<u>\$ 366,704,701</u>
<u>Construction in Progress</u>	<u>\$ 30,322,084</u>	<u>\$ -</u>	<u>\$ 23,069,930</u>	<u>\$ (16,909,091)</u>	<u>\$ 36,482,923</u>
Non - cash developer dedications			\$ 8,041,086		
Cash - aid to construction for internally funded projects			87,089		
MUB - cash-internally funded			4,865,224		
MUB - cash - bond projects			7,246,832		
MUB - cash - overhead applied			2,829,699		
Total			<u>\$ 23,069,930</u>		

	Life Years	Balance Oct 1, 2022	Change Useful Life	Expense	Retire- ments	Cash & Salvage	Balance Sept 30, 2023
<u>General Plant</u>							
	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	25	595,293	-	28,581	-	-	623,874
	25	279,558	-	55,262	-	-	334,820
	25	820,524	-	5,418	-	-	825,942
	5	1,630,131	-	211,799	(136,316)	-	1,705,614
	10	678,377	-	51,359	(7,436)	-	722,300
	10	2,613,770	-	334,260	(659,942)	-	2,288,088
	15	92,899	-	6,481	-	-	99,380
	14	272,721	-	45,225	-	-	317,946
	8.50	336,390	-	26,465	-	-	362,855
	5	351,988	-	93,170	-	-	445,158
		<u>7,671,651</u>	<u>-</u>	<u>858,020</u>	<u>(803,694)</u>	<u>-</u>	<u>7,725,977</u>
<u>Water Plant</u>							
	0	-	-	-	-	-	-
	40	2,102,242	-	98,855	-	-	2,201,097
	33.33	994,143	-	44,573	-	-	1,038,716
	50	3,015,378	-	144,926	-	-	3,160,304
	50	6,639,044	-	978,464	-	-	7,617,508
	10	17,451	-	5,744	-	-	23,195
	50	4,159,290	-	168,074	-	-	4,327,364
	50	15,769,265	-	1,326,319	-	-	17,095,584
	33.33	2,959,987	-	200,946	-	-	3,160,933
	50	1,851,840	-	112,151	-	-	1,963,991
	10	44,084	-	3,040	-	-	47,124
	10	2,977,327	-	264,662	(290,518)	-	2,951,471
		<u>40,530,051</u>	<u>-</u>	<u>3,347,754</u>	<u>(290,518)</u>	<u>-</u>	<u>43,587,287</u>
<u>Wastewater Plant</u>							
	0	-	-	-	-	-	-
	50	2,839,896	-	93,733	-	-	2,933,629
	10	23,735	-	4,136	-	-	27,871
	50	195,924	-	16,093	-	-	212,017
	50	2,984,643	-	189,181	-	-	3,173,824
	50	2,938,386	-	218,909	-	-	3,157,295
	25	4,157,846	-	878,235	-	-	5,036,081
	50	26,374,969	-	2,130,852	-	-	28,505,821
	50	9,183,908	-	971,018	-	-	10,154,926
	10	69,252	-	12,573	-	-	81,825
		<u>48,768,559</u>	<u>-</u>	<u>4,514,730</u>	<u>-</u>	<u>-</u>	<u>53,283,289</u>
		\$ 96,970,261	\$ -	\$ 8,720,504	\$ (1,094,212)	\$ -	\$ 104,596,553

Charged to expense	\$ 8,515,688
Charged to overhead and allocated	204,816
	<u>\$ 8,720,504</u>

THE WATER AND WASTEWATER BOARD OF THE CITY OF MADISON, ALABAMA
SCHEDULE OF BOND MATURITIES
September 30, 2023

Year Ended Sept. 30	Series 2015		Series 2017		Series 2020		Subordinated Series 2013-DWSRF-BL		Subordinated Series 2014-SRF		Subordinated Series 2016-SRF		Total		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Debt	
2024	\$ 1,130,000	\$ 723,075	\$ -	\$ 2,791,725	\$ 395,000	\$ 2,070,275	\$ 755,000	\$ 12,080	\$ 140,000	\$ 45,815	\$ 740,000	\$ 255,750	\$ 3,160,000	\$ 5,898,720	\$ 9,058,720	
2025	1,640,000	653,825	-	2,791,725	745,000	2,045,725	-	-	145,000	42,324	755,000	239,305	3,285,000	5,772,904	9,057,904	
2026	1,925,000	564,700	-	2,791,725	580,000	2,012,600	-	-	150,000	38,710	775,000	222,475	3,430,000	5,630,210	9,060,210	
2027	2,005,000	481,488	-	2,791,725	620,000	1,982,600	-	-	150,000	35,035	790,000	205,260	3,565,000	5,496,108	9,061,108	
2028	2,080,000	407,400	-	2,791,725	645,000	1,950,975	-	-	155,000	31,299	810,000	187,660	3,690,000	5,369,059	9,059,059	
2029	2,165,000	325,100	-	2,791,725	670,000	1,928,150	-	-	160,000	27,440	825,000	169,675	3,820,000	5,242,090	9,062,090	
2030	2,255,000	236,700	-	2,791,725	685,000	1,904,325	-	-	165,000	23,459	845,000	151,305	3,950,000	5,107,514	9,057,514	
2031	2,345,000	144,700	-	2,791,725	730,000	1,868,950	-	-	165,000	19,416	865,000	132,495	4,105,000	4,957,286	9,062,286	
2032	2,445,000	48,900	-	2,791,725	760,000	1,835,500	-	-	170,000	15,313	880,000	113,300	4,255,000	4,804,738	9,059,738	
2033	-	-	1,380,000	2,759,813	1,980,000	1,781,100	-	-	175,000	11,086	900,000	93,720	4,435,000	4,645,719	9,080,719	
2034	-	-	1,445,000	2,693,581	2,040,000	1,701,100	-	-	180,000	6,737	920,000	73,700	4,585,000	4,475,118	9,060,118	
2035	-	-	2,220,000	2,606,537	1,420,000	1,631,900	-	-	185,000	2,266	940,000	53,240	4,765,000	4,293,943	9,058,943	
2036	-	-	2,515,000	2,494,081	1,460,000	1,573,900	-	-	-	-	965,000	32,285	4,940,000	4,100,266	9,040,266	
2037	-	-	2,640,000	2,371,650	1,540,000	1,513,500	-	-	-	-	985,000	10,835	5,165,000	3,895,985	9,060,985	
2038	-	-	3,790,000	2,218,938	1,600,000	1,450,700	-	-	-	-	-	-	5,390,000	3,669,638	9,059,638	
2039	-	-	3,975,000	2,034,519	1,665,000	1,385,400	-	-	-	-	-	-	5,640,000	3,419,919	9,059,919	
2040	-	-	4,170,000	1,835,863	1,735,000	1,317,400	-	-	-	-	-	-	5,905,000	3,153,263	9,058,263	
2041	-	-	4,385,000	1,621,988	1,805,000	1,246,600	-	-	-	-	-	-	6,190,000	2,868,588	9,058,588	
2042	-	-	4,610,000	1,397,113	1,870,000	1,182,450	-	-	-	-	-	-	6,480,000	2,579,563	9,059,563	
2043	-	-	4,845,000	1,160,738	1,930,000	1,125,450	-	-	-	-	-	-	6,775,000	2,286,188	9,061,188	
2044	-	-	5,070,000	938,212	1,985,000	1,066,725	-	-	-	-	-	-	7,055,000	2,004,937	9,059,937	
2045	-	-	5,270,000	738,000	2,045,000	1,006,275	-	-	-	-	-	-	7,315,000	1,744,275	9,059,275	
2046	-	-	5,470,000	536,626	2,110,000	943,950	-	-	-	-	-	-	7,580,000	1,480,576	9,060,576	
2047	-	-	5,680,000	327,563	2,175,000	879,675	-	-	-	-	-	-	7,855,000	1,207,238	9,062,238	
2048	-	-	5,895,000	110,531	2,240,000	813,450	-	-	-	-	-	-	8,135,000	923,981	9,058,981	
2049	-	-	-	-	8,405,000	653,775	-	-	-	-	-	-	8,405,000	653,775	9,058,775	
2050	-	-	-	-	8,665,000	397,725	-	-	-	-	-	-	8,665,000	397,725	9,062,725	
2051	-	-	-	-	8,925,000	133,875	-	-	-	-	-	-	8,925,000	133,875	9,058,875	
Total	\$ 17,990,000	\$ 3,585,888	\$ 63,360,000	\$ 50,971,278	\$ 61,425,000	\$ 39,404,050	\$ 755,000	\$ 12,080	\$ 1,940,000	\$ 298,900	\$ 11,995,000	\$ 1,941,005	\$ 157,465,000	\$ 96,213,201	\$ 253,678,201	

Dyer & Smith, LLC

Certified Public Accountants

112-F South Side Square

Huntsville, Alabama 35801

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Email: tom.dyer@dyerandsmith.com

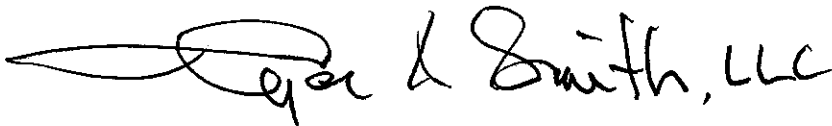
Fax: 256-536-1030

AUDITORS' REPORT ON THE WATER AND WASTEWATER BOARD OF THE CITY OF MADISON, \$20,040,000 WATER AND SEWER REVENUE BONDS, SERIES 2015, TRUST INDENTURE COMPLIANCE

We have audited the financial statements of the Water and Wastewater Board of the City of Madison, Alabama, a component unit of the City of Madison, Alabama for the year ended September 30, 2023 and have issued our report thereon dated December 20, 2023. As part of our audit, we made a study of compliance with the terms, provisions and covenants set forth in the Series 2015 Trust Indenture, to the extent we considered necessary to evaluate compliance as required by the Trust Indenture.

The results of our study indicate that the Water and Wastewater Board of the the City of Madison, a component unit of the City of Madison, Alabama complied with the material terms, provisions, and covenants of the Series 2015 Trust Indenture.

This report is intended solely for the use of the Water and Wastewater Board of the City of Madison, Alabama, registeed bond owners, Regions Bank, as Trustee and should not be used for any other purpose.



Dyer & Smith, LLC

December 20, 2023

Dyer & Smith, LLC

Certified Public Accountants

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Huntsville, Alabama 35801

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Email: tom.dyer@dyerandsmith.com


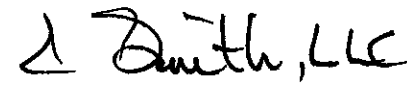
Fax: 256-536-1030

AUDITORS' REPORT ON THE WATER AND WASTEWATER BOARD OF THE CITY OF MADISON, \$63,360,000 WATER AND SEWER REVENUE BONDS, SERIES 2017, TRUST INDENTURE COMPLIANCE

We have audited the financial statements of the Water and Wastewater Board of the City of Madison, Alabama, a component unit of the City of Madison, Alabama for the year ended September 30, 2023 and have issued our report thereon dated December 20, 2023. As part of our audit, we made a study of compliance with the terms, provisions and covenants set forth in the Series 2017 Trust Indenture, to the extent we considered necessary to evaluate compliance as required by the Trust Indenture.

The results of our study indicate that the Water and Wastewater Board of the the City of Madison, a component unit of the City of Madison, Alabama complied with the material terms, provisions, and covenants of the Series 2017 Trust Indenture.

This report is intended solely for the use of the Water and Wastewater Board of the City of Madison, Alabama, registeed bond owners, Regions Bank, as Trustee and should not be used for any other purpose.

  The image shows two handwritten signatures in black ink. The first signature is a stylized, cursive signature that appears to be 'Tom Dyer'. The second signature is a more formal, blocky signature that reads 'Tom Dyer, LLC'.

Dyer & Smith, LLC

December 20, 2023

Dyer & Smith, LLC

Certified Public Accountants

112-F South Side Square

Huntsville, Alabama 35801

Phone: 256-536-1020, 256-426-1641

Email: tom.dyer@dyerandsmith.com

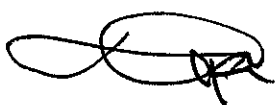
Fax: 256-536-1030

AUDITORS' REPORT ON THE WATER AND WASTEWATER BOARD OF THE CITY OF MADISON, \$61,815,000 WATER AND SEWER REVENUE BONDS, SERIES 2020, TRUST INDENTURE COMPLIANCE

We have audited the financial statements of the Water and Wastewater Board of the City of Madison, Alabama, a component unit of the City of Madison, Alabama for the year ended September 30, 2023 and have issued our report thereon dated December 20, 2023. As part of our audit, we made a study of compliance with the terms, provisions and covenants set forth in the Series 2020 Trust Indenture, to the extent we considered necessary to evaluate compliance as required by the Trust Indenture.

The results of our study indicate that the Water and Wastewater Board of the the City of Madison, a component unit of the City of Madison, Alabama complied with the material terms, provisions, and covenants of the Series 2020 Trust Indenture.

This report is intended solely for the use of the Water and Wastewater Board of the City of Madison, Alabama, registeed bond owners, Regions Bank, as Trustee and should not be used for any other purpose.

 & Smith, LLC

Dyer & Smith, LLC

December 20, 2023

REQUIRED SUPPLEMENTAL INFORMATION

Dyer & Smith, LLC

Certified Public Accountants

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

To The Officers and Directors
Water Works and Wastewater Board of the City of Madison, Alabama
Madison, 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 of the United States, the financial statements of Water Works and Wastewater Board of the City of Madison, Alabama as of and for the year ended September 30, 2023, and the related notes to the financial statements, which comprise the Water Works and Wastewater Board of the City of Madison, Alabama and have issued our report thereon dated December 20, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Water Works and Wastewater Board of the City of Madison, Alabama'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Water Works and Wastewater Board of the City of Madison, Alabama's internal control. Accordingly, we do not express an opinion on the effectiveness of Water Works and Wastewater Board of the City of Madison, Alabama'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 in a timely basis. A material weakness is a deficiency, or 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 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.

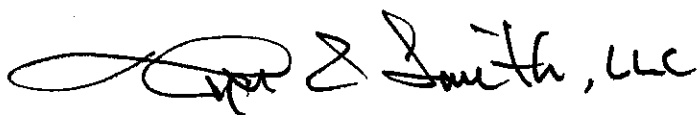
Our consideration of internal controls over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of 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 Water Works and Wastewater Board of the City of Madison, Alabama's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Dyer & Smith, LLC". The signature is stylized and cursive.

Dyer & Smith, LLC
December 20, 2023

THE WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
 GASB #68, #71 ADDITIONAL REQUIRED SUPPLEMENTAL INFORMATION
 September 30, 2023

Year	Beginning		Amortization Period Years	Losses / Deferred		Gains / Deferred		Amounts Recognized in Pension Expense Deferred	Amounts recognized in Pension Expense Deferred	Ending	Balance
	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflows		Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows	Deferred Outflow	Deferred Onflow	Deferred Outflows	Deferred Inflows
<u>Collective Deferred Outflows and Inflows between Expected and Actual Experience</u>											
2022	\$ -	\$ 151,301	5.2	\$ -	\$ -	\$ -	\$ 151,301	\$ -	\$ 29,096	\$ -	\$ 122,205
2021	\$ 572,981	\$ -	5.3	\$ 464,871	\$ -	\$ -	\$ -	\$ 108,110	\$ -	\$ 356,761	\$ -
2020	\$ 19,380	\$ -	5.4	\$ 12,202	\$ -	\$ -	\$ -	\$ 3,589	\$ -	\$ 8,613	\$ -
2019	\$ -	\$ 172,889	7	\$ -	\$ 98,795	\$ -	\$ -	\$ -	\$ 24,698	\$ -	\$ 74,097
2018	\$ -	\$ 106,708	7	\$ -	\$ 45,732	\$ -	\$ -	\$ -	\$ 15,244	\$ -	\$ 30,488
2017	\$ 159,360	\$ -	7.1	\$ 47,135	\$ -	\$ -	\$ -	\$ 22,445	\$ -	\$ 24,690	\$ -
2016	\$ -	\$ 16,155	7	\$ -	\$ 2,307	\$ -	\$ -	\$ -	\$ 2,307	\$ -	\$ -
2015	\$ 640,212	\$ -	6.4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total				\$ 524,208	\$ 146,834	\$ -	\$ -			\$ 390,064	\$ 226,790
<u>Collective Deferred Outflows and Inflows for Differences from Assumption Changes</u>											
2021	\$ 375,937	\$ -	5.30	\$ 305,005	\$ -	\$ -	\$ -	\$ 70,932	\$ -	\$ 234,073	\$ -
2018	\$ 60,817	\$ -	7.00	\$ 26,065	\$ -	\$ -	\$ -	\$ 8,688	\$ -	\$ 17,377	\$ -
2016	\$ 174,219	\$ -	7.00	\$ 24,891	\$ -	\$ -	\$ -	\$ 24,888	\$ -	\$ -	\$ -
Total				\$ 355,961	\$ -	\$ -	\$ -			\$ 251,450	\$ -
<u>Collective Deferred Outflows and Inflows for Differences in Investment Experience</u>											
2022	\$ 1,961,700	\$ -	5	\$ 1,961,700	\$ -	\$ 1,961,700	\$ -	\$ 392,340	\$ -	\$ 1,569,360	\$ -
2021	\$ -	\$ 1,157,758	5	\$ -	\$ 926,206	\$ -	\$ -	\$ 231,552	\$ -	\$ -	\$ 694,654
2020	\$ 152,964	\$ -	5	\$ 91,778	\$ -	\$ -	\$ -	\$ 30,593	\$ -	\$ 61,185	\$ -
2019	\$ 391,290	\$ -	5	\$ 156,516	\$ -	\$ -	\$ -	\$ 78,258	\$ -	\$ 78,258	\$ -
2018	\$ -	\$ 108,326	5	\$ -	\$ 21,666	\$ -	\$ -	\$ -	\$ 21,666	\$ -	\$ -
2017	\$ -	\$ 332,884	5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total				\$ 248,294	\$ 947,872	\$ 1,961,700	\$ -			\$ 1,708,803	\$ 694,654
										Net difference between projected and actual earnings on investments	
										\$ 1,014,149	

WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the year ended September 30, 2023

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 313,117	\$ 276,513	\$ 253,928	\$ 247,183	\$ 251,130	\$ 238,044	\$ 212,258	\$ 162,502	\$ 140,634
Contributions in relation to actuarially determined contribution	<u>\$ 313,117</u>	<u>\$ 276,513</u>	<u>\$ 253,928</u>	<u>\$ 247,183</u>	<u>\$ 251,130</u>	<u>\$ 238,044</u>	<u>\$ 212,258</u>	<u>\$ 162,502</u>	<u>\$ 140,634</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 3,523,270	\$ 3,161,859	\$ 2,890,089	\$ 2,630,537	\$ 2,630,028	\$ 2,599,836	\$ 2,500,548	\$ 2,316,239	\$ 2,220,870
Contributions as a percentage of covered employee payroll	8.89%	8.74%	8.79%	9.40%	9.55%	9.15%	8.48%	7.01%	6.33%

NOTES TO SCHEDULE:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contribution for fiscal year 2022 was based on September 30, 2019 actuarial valuation.

Methods and assumption used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level % closed
Remaining amortization period	25.9
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases including 3% inflation	3.25-5.00%
Investment rate of return	7.70%
Cost of living adjustments	NONE

Compliance Disclosure

Full disclosure requires information for 10 years. However, until a full 10 - year trend is compiled governmental units should present information for those years for which information is available.

WATER AND WASTEWATER BOARD OF THE CITY OF MADISON
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
For the Year Ended September 30, 2023

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>TOTAL PENSION LIABILITY</u>									
Service Cost	\$ 288,104	\$ 243,972	\$ 205,257	\$ 212,301	\$ 208,625	\$ 203,474	\$ 198,517	\$ 192,834	\$ 196,052
Interest	944,878	876,368	828,011	809,496	801,934	758,751	737,798	660,435	635,366
Changes of benefit terms	14,356	-	105,792	-	-	-	-	-	-
Difference between expected and actual experience	(151,301)	572,981	19,380	(172,889)	(106,708)	159,360	(16,155)	640,212	-
Changes of assumptions	-	375,937	-	-	60,817	-	174,219	-	-
Benefit payments, including refunds of employee contributions	(590,740)	(604,087)	(606,095)	(609,150)	(561,404)	(568,872)	(514,371)	(538,506)	(497,602)
Transfers among employers	<u>158,529</u>	<u>(170,331)</u>	<u>74,663</u>	<u>(820)</u>	<u>(213,996)</u>	<u>751</u>	<u>15,103</u>	<u>-</u>	<u>-</u>
NET CHNGE IN TOTAL PENS LIAB	663,826	1,294,840	627,008	238,938	189,268	553,464	595,111	954,975	333,816
PENSION LIABILITY - BEGINNING	<u>12,978,290</u>	<u>11,683,450</u>	<u>11,056,442</u>	<u>10,817,504</u>	<u>10,628,236</u>	<u>10,074,772</u>	<u>9,479,661</u>	<u>8,524,686</u>	<u>8,190,870</u>
PENSION LIABILITY - ENDING (a)	<u>\$ 13,642,116</u>	<u>\$ 12,978,290</u>	<u>\$ 11,683,450</u>	<u>\$ 11,056,442</u>	<u>\$ 10,817,504</u>	<u>\$ 10,628,236</u>	<u>\$ 10,074,772</u>	<u>\$ 9,479,661</u>	<u>\$ 8,524,686</u>
<u>PLAN FIDUCIARY NET POSITION</u>									
Contributions - employer	313,117	276,513	253,928	247,183	251,130	238,044	212,258	162,502	140,634
Contributions - member	254,836	241,128	209,356	197,385	207,367	185,615	187,684	168,654	160,406
Net investment income	(1,239,593)	1,772,290	440,183	195,774	666,257	843,334	620,041	73,145	680,589
Benefit payments, including refunds of employee contributions	(590,740)	(604,087)	(606,095)	(609,150)	(561,404)	(568,872)	(514,371)	(538,506)	(497,602)
Transfers among employers	<u>158,529</u>	<u>(170,331)</u>	<u>74,663</u>	<u>(820)</u>	<u>(213,996)</u>	<u>751</u>	<u>15,103</u>	<u>6,216</u>	<u>22,826</u>
Net change in plan fiduciary net position	(1,103,851)	1,515,513	372,035	30,372	349,354	698,872	520,715	(127,989)	506,853
Plan net position - beginning	<u>9,624,834</u>	<u>8,109,321</u>	<u>7,737,286</u>	<u>7,706,914</u>	<u>7,357,560</u>	<u>6,658,688</u>	<u>6,137,973</u>	<u>6,265,962</u>	<u>5,759,109</u>
Plan net position - ending (b)	<u>8,520,983</u>	<u>9,624,834</u>	<u>8,109,321</u>	<u>7,737,286</u>	<u>7,706,914</u>	<u>7,357,560</u>	<u>6,658,688</u>	<u>6,137,973</u>	<u>6,265,962</u>
Net pension liability (a) - (b)	<u>\$ 5,121,133</u>	<u>\$ 3,353,456</u>	<u>\$ 3,574,129</u>	<u>\$ 3,319,156</u>	<u>\$ 3,110,590</u>	<u>\$ 3,270,676</u>	<u>\$ 3,416,084</u>	<u>\$ 3,341,688</u>	<u>\$ 2,258,724</u>
Plan fiduciary net position as a percentage of the total pension liability	62.46%	74.16%	69.41%	69.98%	71.24%	69.23%	66.09%	64.75%	73.50%
Covered - employee payroll	\$ 3,523,270	\$ 3,161,859	\$ 2,890,089	\$ 2,630,537	\$ 2,630,028	\$ 2,599,836	\$ 2,500,548	\$ 2,316,239	\$ 2,220,870
Net pension liability as a percentage of covered - employee payroll	145.35%	1.06%	123.67%	126.18%	118.27%	125.80%	136.61%	144.27%	101.70%

Compliance Disclosure

Full disclosure requires information for 10 years. However, until a full 10 - year trend is compiled governmental units should present information for those years for which information is available.

WATER AND WASTEWATER BOARD OF THE CITY OF MADISON, ALABAMA
 GASB #68, #71 ADDITIONAL REQUIRED SUPPLEMENTAL INFORMATION
 September 30, 2023

Summary of Deferred Outflows and Inflows of Resources

Amort Year	Actual and Expected Experience						Assumption Changes			Investment Gains/(Losses)			Total
	2017	2018	2019	2020	2021	2022	2018	2021	2019	2020	2021	2022	
2024	\$ 22,445	\$ (15,244)	\$ (24,698)	\$ 3,589	\$ 108,110	\$ (29,096)	\$ 8,688	\$ 70,932	\$ 78,258	\$ 30,593	\$ (231,552)	\$ 392,340	\$ 414,365
2025	\$ 2,245	\$ (15,244)	\$ (24,698)	\$ 3,589	\$ 108,110	\$ (29,096)	\$ 8,689	\$ 70,932	\$ -	\$ 30,592	\$ (231,552)	\$ 392,340	\$ 315,907
2026	\$ -	\$ -	\$ (24,701)	\$ 1,435	\$ 108,110	\$ (29,096)	\$ -	\$ 70,932	\$ -	\$ -	\$ (231,550)	\$ 392,340	\$ 287,470
2027	\$ -	\$ -	\$ -	\$ -	\$ 32,431	\$ (29,096)	\$ -	\$ 21,277	\$ -	\$ -	\$ -	\$ 392,340	\$ 416,952
2028	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (5,821)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (5,821)
Thereafter	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 24,690	\$ (30,488)	\$ (74,097)	\$ 8,613	\$ 356,761	\$ (122,205)	\$ 17,377	\$ 234,073	\$ 78,258	\$ 61,185	\$ (694,654)	\$ 1,569,360	\$ 1,428,873

Roll-Forward of the Total Pension Liability

	<u>Expected</u>	<u>Actual</u>	<u>Actual After Act 2019-132</u>
TPL as of September 30, 2021	\$12,978,290	\$12,837,480	\$12,850,516
Discount Rate	7.45%	7.45%	7.45%
Entry Age Normal Cost	288,104	288,104	288,104
Transfers	-	158,529	158,529
Actual Benefit Payments	(590,740)	(590,740)	(590,740)
TPL as of September 30, 2022	\$ 13,620,532	\$ 13,627,760	\$ 13,642,116
Difference Between Expected and Actual		7,228	
Less Liability transferred		158,529	
Experience (Gain)/ Loss		(151,301)	
Change (Gain) / loss			\$ 14,356

Schedule of Amortization of Deferred Inflows and Outflows

<u>Year</u>	<u>Amount</u>
2024	\$ 414,365
2025	315,907
2026	287,470
2027	416,952
2028	(5,821)
Thereafter	-
Total	\$ 1,428,873