

**Water Works Board of the
City of Calera, Alabama**

Financial Report September 30, 2022

Including Report of
Independent Auditor

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Water Works Board of the City of Calera, Alabama, a discretely presented component unit of the City of Calera, Alabama, which comprise the statement of net position as of September 30, 2022, and the related statements of revenues, expenses and change in net position as of September 30, 2022, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, financial position of the Water Works Board of the City of Calera, Alabama as of September 30, 2022, and change in its financial position, and, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Water Works Board of the City of Calera, Alabama's financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the schedule of rates and selected customer data but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2023, on our consideration of the Water Works Board of the City of Calera, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Water Works Board of the City of Calera, Alabama'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 Water Works Board of the City of Calera, Alabama's internal control over financial reporting and compliance.

Fruitt Tingle Paramore & Argent, LLC

Birmingham, Alabama

March 23, 2023

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Water Works Board of the City of Calera, Alabama's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Water Works Board of the City of Calera, Alabama's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

WATER WORKS BOARD OF THE CITY OF CALERA, ALABAMA
STATEMENT OF NET POSITION
September 30, 2022

Assets

Current:

Cash and cash equivalents	\$ 3,150,655
Certificates of deposit	643,644
Accounts receivable, net	782,664
Receivable City of Calera	2,675
Inventory	197,544
Prepaid expenses	117,260
Total Current Assets	<u>4,894,442</u>

Noncurrent:

Restricted assets:	
Cash and cash equivalents	1,333,010
Notes receivable	5,002,095
Prepaid expenses	
Nondepreciable assets	619,034
Depreciable capital assets, net	17,025,529
Total Noncurrent Assets	<u>23,979,668</u>
Total Assets	<u>28,874,110</u>

Deferred Outflows of Resources

Deferred charges on refunding	54,820
Total Deferred Outflows of Resources	<u>54,820</u>

Liabilities

Current:

Accounts payable	134,532
Accrued expenses	64,054
Payable from restricted assets:	
Customer deposits	161,600
Accrued interest payable	47,619
Current portion of long-term debt	666,847
Total Current Liabilities	<u>1,074,652</u>

Noncurrent:

Long-term debt, net of current portion	16,216,991
Total Liabilities	<u>17,291,643</u>

Net Position

Net investment in capital assets	5,817,640
Unrestricted	4,534,256
Restricted for debt service (expendable)	1,285,391
Total Net Position	<u>\$ 11,637,287</u>

The Notes to the Financial Statements are an integral part of these statements.

WATER WORKS BOARD OF THE CITY OF CALERA, ALABAMA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
Year Ended September 30, 2022

Operating Revenues

Utility receipts	\$ 3,834,731
Fees	309,565
Miscellaneous	17,671
Total Operating Revenues	<u>4,161,967</u>

Operating Expenses

Personnel services	1,301,170
Supplies expense	121,173
Repairs and maintenance	218,385
Depreciation	789,017
Administrative expenses	566,796
Outside services	92,618
Total Operating Expenses	<u>3,089,159</u>
Operating Income	<u>1,072,808</u>

Non Operating Revenues (Expenses)

Interest income	7,250
Interest expense	(347,169)
Insurance Reimbursement	12,290
Trustee fees	(8,250)
Total Non Operating Revenues (Expenses)	<u>(335,879)</u>

Income Before Capital Contributions and Grants	736,929
Federal Grant	892,872
Change in Net Position	<u>1,629,801</u>
Net Position, Beginning of Year	<u>10,007,486</u>
Net Position, End of Year	<u>\$ 11,637,287</u>

The Notes to the Financial Statements are an integral part of these statements.

WATER WORKS BOARD OF THE CITY OF CALERA, ALABAMA
STATEMENT OF CASH FLOWS
Year Ended September 30, 2022

Cash Flows from Operating Activities

Cash received from customers	\$ 4,110,002
Cash paid for personnel services	(1,338,044)
Cash paid to suppliers for goods and services	(971,433)
Net Cash Provided by Operating Activities	1,800,525

Cash Flows from Capital and Related Financing Activities

Acquisition and construction of property, plant, and equipment	(1,351,473)
Principal payments on debt	(580,000)
Interest payments on debt	(292,915)
Trustee fees	(8,250)
Proceeds from Federal Grants	892,872
Net Cash Used by Capital and Related Financing Activities	(1,339,766)

Cash Flows from Investing Activities

Interest on cash and cash equivalents	5,956
Net Cash Provided by Investing Activities	5,956
Net Increase in Cash and Cash Equivalents	466,715
Cash and Cash Equivalents at Beginning of Year	4,016,950
Cash and Cash Equivalents at End of Year	\$ 4,483,665

The Notes to Financial Statements are an integral part of these statements.

WATER WORKS BOARD OF THE CITY OF CALERA, ALABAMA
STATEMENT OF CASH FLOWS
Year Ended September 30, 2022

Reconciliation of Cash and Cash Equivalents to Statement of Net Position

Cash and cash equivalents in current assets	\$	3,150,655
Restricted cash		<u>1,333,010</u>
Total Cash and Cash Equivalents	\$	<u><u>4,483,665</u></u>

**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities**

Operating income	\$	1,072,808
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		789,017
(Increase) decrease in:		
Accounts receivable, net		(55,805)
Inventory		(2,849)
Prepays		
Increase (decrease) in:		
Accounts payable		(30,854)
Accrued expenses		35,788
Receivable from (Payable to) the City of Calera		(3,740)
Customer deposits		<u>(3,840)</u>
Net Cash Provided by Operating Activities	\$	<u><u>1,800,525</u></u>

Noncash Investing, Capital, and Financing Activities

The Water Works Board of the City of Calera, Alabama had amortization of bond premium of \$68,634 and amortization of deferred charges on refunding of \$7,894

The Notes to Financial Statements are an integral part of these statements.

WATER WORKS BOARD OF THE CITY OF CALERA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Water Works Board of the City of Calera, Alabama (the Board) was created by the City of Calera, Alabama (the City) to provide water services to the City and surrounding communities. The Board is governed by a five-member group appointed by the Calera City Council. For financial reporting purposes, the Board is a component unit of the City of Calera and is included in the financial reporting entity of the City.

The fund is organized as an enterprise fund. The intent of the governing body is that the costs and expenses, including depreciation, of providing services are financed or recovered through user charges. Activities of the fund include administration, operations and maintenance of the Board, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest. The accounting objectives of the fund are determinations of operating income and changes in net position, financial position, and cash flow.

The financial statements of the Board have been prepared in conformity with U.S. generally accepted accounting principles as applied to governmental units. The more significant of the Board's accounting policies are described below.

Measurement Focus/ Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The financial statements for the Board are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all transactions and events that affect the total economic resources during the period are reported. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred, regardless of the timing of related cash inflows and outflows.

The Board distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Board's principal ongoing operations. Operating expenses for the Board include the cost of personnel and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Board applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board pronouncements, in which case, Governmental Accounting Standards Board prevails.

Cash

The Board's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit with original maturities of three months or less.

WATER WORKS BOARD OF THE CITY OF CALERA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Restricted Assets

The use of restricted assets is limited by legal requirements or restrictions imposed externally by creditors. When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted, as they are needed.

Allowance for Uncollectible Accounts

An allowance for uncollectible accounts is provided based on historical evidence.

Inventory

Inventory consists of supplies and is recorded at the lower of cost or market, determined by first in, first out method. The cost of inventories is recorded as an expenditure/expense when consumed rather than when purchased.

Capital Assets

All capital assets are valued at historical costs or estimated historical costs if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Interest expense during construction periods is capitalized as part of the costs of the asset.

Assets capitalized have an original cost of \$3,000 or more and five years or more of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

System and Facilities	40-60 Years
Buildings and Improvements	30-40 Years
Machinery and Equipment	5-10 Years

Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board currently reports deferred outflows of resources related to deferred charges on refunding, which result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Noncurrent Liabilities

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds using the bonds outstanding method. Bonds payable are recorded net of the applicable discounts.

WATER WORKS BOARD OF THE CITY OF CALERA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deferred Inflows of Resources

In addition to noncurrent liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element; deferred inflows of resources represents an acquisition of net assets by the government that is applicable to a future reporting period.

Net Position

The City reports information regarding its financial position and activities according to three classes of net position on the government-wide financial statements: net investment in capital assets, restricted net position, and unrestricted net position.

Net Investments in Capital Assets consists of capital assets, including restricted capital assets, net of accumulated depreciated and reduced by the outstanding balances of any warrants, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position is reported as restricted when constraints placed on net position use are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions.

Unrestricted Net Position is the residual component of net position. It consists of net position that does not meet the definition of restricted or net investment in capital assets.

Use of Estimates

In preparing these financial statements, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - DEPOSITS

All of the Board's demand deposits, time deposits, and certificates of deposit are insured and collateralized in accordance with the Security for Alabama Funds Enhancement, or SAFE Program, which is encompassed in Title 41, Chapter 14A, Code of Alabama 1975, as amended, which is a multiple financial institutions collateral pool. The statute provides for assessments against the members of the pool on a pro rata basis in the event that the collateral pool is insufficient to cover the losses of a member financial institution that fails. As such, all deposits covered by this collateral pool are considered to be fully insured.

Debt service funds and bond proceeds held in escrow totaling \$1,301,209 are invested by banks' trust departments in U.S. Government Securities and are not subject to collateralization requirements.

The Board has an investment policy, the objective of which is to minimize credit rate and interest rate risk. The policy addresses risks as follows:

WATER WORKS BOARD OF THE CITY OF CALERA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 2 - DEPOSITS - CONTINUED

Credit Risk (Custodial Credit Risk and Concentration of Credit Risk)

The Board will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized in Alabama Code section 19-3-120 and qualifying the institutions, brokers/dealers, intermediaries and advisors with which the Board will do business. The Board will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Board's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from one type of security or issuer will be minimized.

Investment Rate Risk

The Board will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual fund, or similar investment pools and limiting the average maturity schedule in accordance with the Board's cash requirements.

Foreign Currency Risk

The Board is not authorized to invest in investments which have this type of risk. State statutes authorize the Board to invest in obligations of the U.S. Treasury, certain U.S. corporate equities, State of Alabama obligations, county obligations, and other municipal obligations, as well as bank certificates of deposit and bank public funds investment accounts.

NOTE 3 - RECEIVABLES AND PAYABLES

Receivables at September 30, 2022, consist of the following:

Customers	\$ 818,898
Less: Allowance for uncollectibles	<u>(36,234)</u>
Net Receivables	<u><u>\$ 782,664</u></u>

Payables at September 30, 2022, consist of the following:

Trade payables	\$ 46,940
Capital assets payables	<u>87,592</u>
Net Payables	<u><u>\$ 134,532</u></u>

WATER WORKS BOARD OF THE CITY OF CALERA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2022 was as follows:

	<u>Balance October 1</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance September 30</u>
Capital assets not being depreciated				
Land	\$ 11,485			11,485
Construction in progress	140,886	1,404,558	(937,894)	607,550
Total capital assets not being depreciated	152,371	1,404,558	(937,894)	619,035
Capital assets being depreciated				
System and facilities	25,517,433	471,198	-	25,988,631
Buildings and improvements	107,243	42,198	-	149,441
Vehicles	345,569	84,117	(25,457)	404,229
Equipment	1,627,763	340,381	(802,956)	1,165,188
Total capital assets being depreciated	27,598,008	937,894	(828,413)	27,707,489
Less accumulated depreciation for				
System and facilities	9,067,157	665,928	-	9,733,085
Buildings and improvements	40,522	11,433	-	51,955
Vehicles	290,491	27,481	(18,244)	299,728
Equipment	1,315,974	84,174	(802,956)	597,192
Total accumulated depreciation	10,714,144	789,016	(821,200)	10,681,960
Total capital assets being depreciated, net	16,883,864	148,878	(7,213)	17,025,529
Total capital assets, net	\$ 17,036,235	1,553,435	(945,107)	\$ 17,644,563

Depreciation for the year ended September 30, 2022 was \$789,016.

WATER WORKS BOARD OF THE CITY OF CALERA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 5 - LONG-TERM DEBT

Water Revenue Bonds payable at September 30, 2022, are comprised of the following issues:

2016-A Water Revenue Bonds, dated February 1, 2016, due in semi-annual installments through February 1, 2038, bearing interest rates of 3% to 4% (plus: unamortized premiums of \$72,080)	\$ 1,867,080
2016-B Water Revenue Bonds, dated February 1, 2016, due in semi-annual installments through February 1, 2023, bearing interest rate of 3.1% (plus: unamortized premiums of \$23.)	215,023
2020 DWSRF-DL Revenue Bond, dated December 15, 2020, due in semi-annual installments from February 15, 2024 through August 15, 2043, bearing interest at 2.2%.	5,330,000
2021 Water Revenue Bonds, dated February 2, 2021, due in semi-annual installments through February 1, 2036, bearing interest rates of 2% to 3% (plus: unamortized premiums of \$506,735)	<u>9,471,735</u>
Total Water Revenue Bonds Payable	<u><u>16,883,838</u></u>

A summary of long-term liability activity for the year ended September 30, 2022, is as follows:

	Balance October 1, 2021	Issues or Additions	Payments or Expenditures	Balance September 30, 2022	Due within one year
Revenue Warrants Payable	\$16,885,000		(580,000)	\$16,305,000	\$600,000
Less Deferred Amounts:					
Issuance Premium (Discount)	647,473		(68,635)	578,838	66,847
Long-term Liabilities	<u>\$17,532,473</u>	<u>\$0</u>	<u>(\$68,635)</u>	<u>\$16,883,838</u>	<u>\$666,847</u>

WATER WORKS BOARD OF THE CITY OF CALERA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 5 - LONG-TERM DEBT - CONTINUED

The annual requirements to service the Board's debt obligations at September 30, 2022, are as follows:

Year Ending September 30,	Revenue Bonds Payable	
	Principal	Interest
2023	600,000	396,193
2024	805,000	374,948
2025	820,000	357,580
2026	850,000	334,365
2027	855,000	310,665
2028-2032	4,600,000	1,232,375
2033-2037	5,105,000	721,620
2038-2042	2,345,000	154,340
2043	325,000	7,150
	<u>\$16,305,000</u>	<u>\$3,889,236</u>

NOTE 6 - TRUST INDENTURE COVENANTS

The Series 2016-A, Series 2016-B, and Series 2021 Water Revenue Bonds are secured by a pledge of all operating revenues after the payment of operating expenses. The bond indentures contain various covenants, including a prohibition against providing free service, an agreement to maintain rates adequate to pay all operating expenses and produce at least a specified net income, and to promptly discontinue service for nonpayment. The bond indentures require that the Board charge rates for water and other services provided by the Board sufficient to maintain a Debt Service Ratio (as defined in the agreement) of not less than 1.25 to 1.

NOTE 7 - RELATED PARTY TRANSACTIONS

The City of Calera provides employees to the Board, and the Board is responsible for reimbursing the City for the actual expenses incurred for those employees. The Board accrues liabilities for vacation leave, compensatory time, and holiday leave in the amount that will be owed to the City when the accrued benefits are paid to the employees by the City, at which time the Board must reimburse the City for the expenses.

At September 30, 2022, the Board reported a \$2,675 payable to the City of Calera resulting from expense allocations to the City of Calera.

The Board leases space at City Hall and the City Shop Building from the City of Calera. Rent charged during the year ended September 30, 2022, was \$17,000.

WATER WORKS BOARD OF THE CITY OF CALERA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 8 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation; and natural disaster for which the Board carries commercial insurance.



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

To the Honorable Mayor and
Members of the Board
The Water Works Board of the City of Calera, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Water Works Board of the City of Calera, Alabama as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Water Works Board of the City of Calera, Alabama's financial statements, and have issued our report thereon dated March 23, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Water Works Board of the City of Calera, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Water Works Board of the City of Calera, Alabama's internal control. Accordingly, we do not express an opinion on the effectiveness of the Water Works Board of the City of Calera, 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, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fruitt Tingle Paramore & Argent, LLC

Birmingham, Alabama

March 23, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Mayor and
Members of the Board
The Water Works Board of the City of Calera, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Water Works Board of the City of Calera, Alabama's, (the "Board"), compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the Board's major federal programs for the year ended September 30, 2022. The Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Award Program

We conducted our audit of compliance in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Board's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Board's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Board's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Board's compliance with the requirements of each major federal program as a whole.

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

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

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

Internal Control over Financial Reporting

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

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

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

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

Fruitt Tingle Paramore & Argent, LLC

Birmingham, Alabama

March 23, 2023

Water Works Board of the City of Calera, Alabama
 Schedule of Expenditures of Federal Awards
 September 30, 2022

Federal Grantor/Pass-Through Agency/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of the Treasury		
Pass-through the City of Calera, Alabama		
Coronavirus State and Local Fiscal Recovery Funds	21.027	892,872
U.S. Environmental Protection Agency		
Capitalization Grants for Drinking Water State Revolving Fund	66.468	<u>234,586</u>
Total U.S. Environmental Protection Agency		<u>234,586</u>
 Total Expenditures of Federal Awards		 <u><u>\$ 1,127,458</u></u>

See notes to schedule of expenditures of federal awards and independent auditors' report.

Water Works Board of the City of Calera, Alabama
Notes to Schedule of Expenditures of Federal Awards
September 30, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Water Works Board of the City of Calera, Alabama under programs of the federal government for the year ended September 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

2. Basis of Presentation

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The Water Works Board of the City of Calera, Alabama has not elected to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

Water Works Board of the City of Calera, Alabama
Notes to Schedule of Expenditures of Federal Awards
September 30, 2022

Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on whether the financial statements of the Water Works Board of the City of Calera, Alabama, Alabama were prepared in accordance with GAAP.
2. There were no material weaknesses in internal control over financial reporting identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Water Works Board of the City of Calera, Alabama, Alabama which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No material weaknesses in internal control over major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for the Water Works Board of the City of Calera, Alabama, Alabama expresses an unmodified opinion on the major federal program.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The program tested as a major program is the Coronavirus State and Local Fiscal Recovery Funds (CFDA 21.027).
8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. The Water Works Board of the City of Calera, Alabama did not qualify as a low-risk auditee.

Financial Statement Findings

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

Findings and Questioned Costs – Major Federal Award Programs Audit

There are no current findings or questioned costs that are considered material instances of noncompliance in accordance with Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

There were no prior year findings or questioned costs that were considered material instances of noncompliance in accordance with Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

WATER WORKS BOARD OF THE CITY OF CALERA, ALABAMA
SCHEDULE OF RATES (UNAUDITED)
September 30, 2022

Water Rates
Fiscal Year Ended September 30, 2022

Zone 1 Rates (inside City of Calera)

First 2,500 gallons per month	\$	22.58
Next 2,500 gallons per month	\$	5.57 Per 1,000 Gallons
Next 5,000 gallons per month	\$	4.00 Per 1,000 Gallons
Next 10,000 gallons per month	\$	2.83 Per 1,000 Gallons
Next 30,000 gallons per month	\$	2.57 Per 1,000 Gallons
Next 50,000 gallons per month	\$	2.10 Per 1,000 Gallons
Next 50,000 gallons per month	\$	1.79 Per 1,000 Gallons
All over 150,000 gallons per month	\$	1.79 Per 1,000 Gallons

Zone 2 Rates (outside City of Calera)

First 2,500 gallons per month	\$	24.48
Next 2,500 gallons per month	\$	5.57 Per 1,000 Gallons
Next 5,000 gallons per month	\$	4.00 Per 1,000 Gallons
Next 10,000 gallons per month	\$	2.83 Per 1,000 Gallons
Next 30,000 gallons per month	\$	2.57 Per 1,000 Gallons
Next 50,000 gallons per month	\$	2.10 Per 1,000 Gallons
Next 50,000 gallons per month	\$	1.79 Per 1,000 Gallons
All over 150,000 gallons per month	\$	1.79 Per 1,000 Gallons

Capital Recovery Fees
Fiscal Year Ended September 30, 2022

Type/Purpose		<u>3/4" Meter</u>
Regular	\$	1,000
Sub-Division	\$	1,000
Timberline	\$	1,000
		<u>1" Meter</u>
Regular	\$	1,100
Sub-Division	\$	1,100
Timberline	\$	1,100
		<u>2" Meter</u>
Regular	\$	2,000

The Board charges a fire tap fee of \$1,000 plus \$50 per month for 360 months on buildings required to have a sprinkler system.

See independent auditor's report

WATER WORKS BOARD OF THE CITY OF CALERA, ALABAMA
SCHEDULE OF RATES (UNAUDITED)
September 30, 2022

Water Rates

New Rates Starting January 1, 2023

Zone 1 Rates (inside City of Calera)

First 2,000 gallons per month	\$	22.58
Next 3,000 gallons per month	\$	5.57 Per 1,000 Gallons
Over 5,000 gallons per month	\$	4.00 Per 1,000 Gallons

Zone 2 Rates (outside City of Calera)

First 2,000 gallons per month	\$	24.48
Next 3,000 gallons per month	\$	5.57 Per 1,000 Gallons
Over 5,000 gallons per month	\$	4.00 Per 1,000 Gallons

See independent auditor's report

WATER WORKS BOARD OF THE CITY OF CALERA, ALABAMA
SELECTED CUSTOMER DATA (UNAUDITED)
September 30, 2022

Number of Water Customers

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total</u>
2022	8,060	452	6	8,518
2021	7,981	440	6	8,427
2020	7,718	438	6	8,162
2019	7,361	428	5	7,794
2018	7,153	426	5	7,584

Volume of Water Consumed by the System's Customers

<u>Fiscal Year</u>	<u>Gallons Consumed</u>
2022	583,617,500
2021	572,893,300
2020	563,520,800
2019	515,109,300
2018	511,768,800

Major Customers-Water

Fiscal Year Ended September 30, 2022

<u>Customer</u>	<u>Gallons Purchased</u>	<u>Amount Paid</u>
HPI Landmark LLC	12,070,400	\$ 61,343
Calera Housing Authority	6,654,500	\$ 41,146
Shelby County Board of Education	19,259,000	\$ 40,109
Glidewell Specialties	9,743,100	\$ 18,364
Vulcan Materials Company	9,520,700	\$ 17,923

See independent auditor's report

WATER WORKS BOARD OF THE CITY OF CALERA, ALABAMA
HISTORICAL DEBT SERVICE COVERAGE (UNAUDITED)
September 30, 2022

Historical Debt Service Coverage

The ratio of Annual Net Income for the last five fiscal years to combined maximum annual debt service of the outstanding Series 2016 Bonds, the Series 2021 Bonds, and the 2020 SRF Bond is set forth as follows:

<u>Fiscal Year Ending September 30</u>	<u>Annual Net Income</u>	<u>Maximum Annual Debt Service</u> ⁽¹⁾	<u>Debt Service Coverage Ratio</u>
2022	\$ 1,860,825	\$ 1,184,365	1.5712
2021	\$ 1,985,767	\$ 1,184,365	1.6767
2020	\$ 1,915,191	\$ 1,184,365	1.6171
2019	\$ 1,930,732	\$ 1,184,365	1.6302
2018	\$ 1,651,432	\$ 1,184,365	1.3944

[1] Maximum Annual Debt Service is determined for the fiscal year 2026. See "Total Debt Service Requirements" hereinbefore.

See independent auditor's report