



**The Water Works and Sewer Board of the City of
Prichard**

FINANCIAL STATEMENTS

September 30, 2024



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INDEPENDENT AUDITOR’S REPORT

Board of Directors
The Water Works and Sewer Board of the City of Prichard
Prichard, Alabama

Report on the Audit of the Financial Statements

Disclaimer of Opinion and Unmodified Opinion

We have audited the accompanying financial statements of the business-type activities, of The Water Works and Sewer Board of the City of Prichard (Board) as of and for the year ended September 30, 2024, and the related notes to the financial statements. We were not engaged to audit the statements of the Fiduciary Fund. These financial statements collectively comprise the Board’s basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Business-type Activities	Unmodified
Fiduciary Fund	Disclaimer

Disclaimer of Opinion on the Fiduciary Fund

Because of the significance of the matter described below in the Basis for Disclaimer Opinion and Unmodified Opinion section of our report, we have not been able to obtain sufficient audit evidence to provide a basis for an audit opinion on the financial statements of the Fiduciary Fund of the Board. Accordingly, we do not express an opinion on these financial statements.

Unmodified Opinion on the Business-type Activities

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Board, as of September 30, 2024, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Disclaimer of Opinion and Unmodified Opinions

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

Matter Giving Rise to Disclaimer of Opinion on the Fiduciary Fund

The financial statements of the Fiduciary Fund have not been audited, and we were not engaged to audit the Fiduciary Fund financial statements as part of our audit of the Board's basic financial statements. The Fiduciary Fund financial statements are included in the Board's basic financial statements.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Auditor's Responsibilities for the Audit of the Fiduciary Fund Statements

Our responsibility is to conduct an audit of the Board's financial statements in accordance with generally accepted accounting standards and issue an auditor's report. However, because of the matter described in the Basis of Disclaimer of Opinion on the Fiduciary Fund section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Fiduciary Fund.

Auditor's Responsibilities for the Audit of the Business-type Activities

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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of Defined Benefit Plans on pages 37–40 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted Management’s 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.

Other Information

Management is responsible for the Schedule of the Calculation for Maintaining Adequate Rates for the 2019 Series Water and Sewer Bond Indenture, Section 11.5 on page 41. 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 January 31, 2026, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Carr, Rigg & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
January 31, 2026

The Water Works and Sewer Board of the City of Prichard
Statement of Net Position
September 30, 2024

Assets

Current assets

Cash and cash equivalents	\$ -
Accounts receivable, less allowance for doubtful accounts of \$80,682	1,843,118
Grants receivable	473,700
Prepaid expenses	87,208
	87,208

Total current assets 2,404,026

Noncurrent assets

Restricted noncurrent assets	
Cash and cash equivalents	25,497,423
	25,497,423
Note receivable	138,025
	138,025

Capital assets

Sanitary sewer system	44,521,913
Water distribution system	3,995,309
Water and sewer improvements	8,010,885
Machinery and equipment	2,535,595
Building improvements	542,105
Computers and related equipment	275,110
Vehicles	1,673,817
Office equipment and furniture	131,648
	61,686,382
Less accumulated depreciation	(36,533,235)
Land-not subject to depreciation	569,826
	569,826

Total capital assets, net 25,722,973

Total noncurrent assets 51,358,421

Total assets \$ 53,762,447

Deferred outflows of resources

Deferred outflows related to pension	\$ 1,324,925
Deferred outflows on refunding	772,418
Total deferred outflows of resources	\$ 2,097,343

(Continued)

The accompanying notes are an integral part of these financial statements

The Water Works and Sewer Board of the City of Prichard
Statement of Net Position (Continued)
Year Ended September 30, 2024

Liabilities	
Current liabilities	
Accounts payable	\$ 1,788,044
Accrued city business license tax	292,520
Current portion of note payable	<u>63,441</u>
Total current liabilities	<u>2,144,005</u>
Current liabilities - payable from restricted assets	
Accrued bond interest	880,163
Current portion of bonds payable	<u>2,335,000</u>
Total current liabilities - payable from restricted assets	<u>3,215,163</u>
Noncurrent liabilities	
Compensated absences	62,927
Net pension liability	31,882
Note payable due after one year	142,144
Bonds payable after one year	54,726,039
Unearned grant revenue	446,473
Refundable meter deposits	<u>335,174</u>
Total noncurrent liabilities	<u>55,744,639</u>
Total liabilities	<u>\$ 61,103,807</u>
Deferred inflows of resources	
Deferred inflows related to pension	<u>\$ 1,842,274</u>
Net position	
Net investment in capital assets	(7,911,715)
Restricted for debt service	1,384,914
Unrestricted	<u>(559,490)</u>
Total net position	<u>\$ (7,086,291)</u>

The accompanying notes are an integral part of these financial statements

The Water Works and Sewer Board of the City of Prichard
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2024

Operating Revenues	
Water system	\$ 8,162,200
Sewer system	4,254,353
Operating grants	800,913
Total operating revenues	<u>13,217,466</u>
Operating Expenses	
Cost of water	4,501,637
Depreciation	1,633,896
Personnel services	2,017,362
Professional services	2,757,148
Taxes and licenses	120,347
Bad debts	1,369,297
Insurance	221,929
Repairs and maintenance	1,086,765
General and administrative expenses	584,232
Utilities	656,649
Chemicals	315,859
Materials and supplies	213,214
Vehicle expense	229,818
Equipment rental	422,853
Total operating expenses	<u>16,131,006</u>
Operating income (loss)	(2,913,540)
Nonoperating Revenues (Expenses)	
Miscellaneous revenue	1,994
Capital contributions from grants	644,143
Interest income	958,866
Interest expense	(2,059,040)
Bond issuance costs	(72,346)
Total nonoperating revenues (expenses)	<u>(526,383)</u>
Change in net position	(3,439,923)
Net position, beginning of year	<u>(3,646,368)</u>
Net position, end of year	<u><u>\$ (7,086,291)</u></u>

The accompanying notes are an integral part of these financial statements

The Water Works and Sewer Board of the City of Prichard
Statement of Cash Flows
Year Ended September 30, 2024

Operating Activities

Cash received from customers for sales and services	\$ 12,374,410
Cash payments to employees	(2,139,478)
Cash payments to suppliers for goods and services	(11,114,467)
Cash received from other operating receipts	1,249,380
Net cash provided by operating activities	369,845

Capital and Related Financing Activities

Acquisition of capital assets	(881,833)
Proceeds for grants	170,444
Principal received on note receivable	47,808
Principal paid on note payable	(52,648)
Interest paid on revenue bonds	(2,058,119)
Interest paid on note payable	(25,089)
Net cash used in capital and related financing activities	(2,911,808)

Investing Activities

Investment income	958,866
Net cash provided by investing activities	958,866

Net decrease in cash and cash equivalents (1,583,097)

Cash and cash equivalents

Cash and cash equivalents, beginning of year 27,080,520

Cash and cash equivalents, end of year \$ 25,497,423

Cash classified as:

Current assets - cash and cash equivalents	\$ -
Restricted - cash and cash equivalents	25,497,423
Total	\$ 25,497,423

(Continued)

The accompanying notes are an integral part of these financial statements

The Water Works and Sewer Board of the City of Prichard
Statement of Cash Flows (Continued)
Year Ended September 30, 2024

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by Operating Activities**

Operating loss	\$ (2,913,540)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	1,633,896
Miscellaneous revenue	1,994
Bad debts	1,369,297
Change in assets, deferred outflows, liabilities and deferred outflows	
(Increase) decrease in assets and deferred outflows	
Accounts receivable	(18,468)
Prepaid expenses	111,511
Deferred outflows of resources	490,187
Increase (decrease) in liabilities and deferred inflows	
Accounts payable	86,375
Accrued payroll and payroll taxes	(16,604)
Accrued city business license tax	(201,902)
Compensated absences	2,301
Net pension liability	(1,512,891)
Refundable meter deposits	(23,675)
Deferred grant revenues	446,473
Deferred inflows of resources	914,891
Total adjustments	<u>3,283,385</u>
Net cash provided by operating activities	<u>\$ 369,845</u>

The accompanying notes are an integral part of these financial statements

The Water Works and Sewer Board of the City of Prichard
Statement of Fiduciary Net Position (Unaudited)
September 30, 2024

Assets

Investments

Large U.S. Equity	\$	1,184,581
Small/Mid U. S. Equity		465,257
Global/International Equity		704,368
Fixed Income		4,069,037
Other		467,240
Total investments		6,890,483

Total assets	\$	6,890,483
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Fiduciary net position

Fiduciary net position	\$	6,890,483
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The accompanying notes are an integral part of these financial statements

**The Water Works and Sewer Board of the City of Prichard
Statement of Changes in Fiduciary Net Position (Unaudited)
Year Ended September 30, 2024**

Additions

Contributions

Employee contributions	\$ 74,825
Employer contributions	116,662
Total contributions	191,487

Net investment income

Investment return	961,514
Investment expenses	(6,340)
Net investment income	955,174

Total additions	1,146,661
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Deductions

Benefit payments	416,678
Administrative expenses	20,056
Total deductions	436,734

Net change

Net increase in fiduciary net position	709,927
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Fiduciary net position

Net position, beginning of year	6,180,556
Net position, end of year	\$ 6,890,483

The accompanying notes are an integral part of these financial statements

The Water Works and Sewer Board of the City of Prichard Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Water Works and Sewer Board of the City of Prichard (“the Board”) is a public corporation organized under the laws of Alabama particularly under Title 37, Sections 394 to 402, of the Code of Alabama of 1940, filed and recorded on the 17th day of April 1943. The purpose of the formation of the Board was to acquire, purchase, construct, operate and maintain one or more water works plants and distributing systems and one or more sanitary sewer systems in the City of Prichard and City of Chickasaw, Alabama.

Reporting Entity

The governing body of the City of Prichard appoints the five-member board of directors of The Water Works and Sewer Board of the City of Prichard. The Board provides water and sewer services to commercial and residential customers located in the Cities of Prichard, Eight Mile, and Whistler, and water service only to customers located within the City of Chickasaw.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Board is considered a special-purpose governmental entity and is not a component unit of any other entity.

Related organization

As noted above, the city council members of the City of Prichard are responsible for appointing the five members of the Board. However, they do not have the power to impose their will upon the members of the Board.

Fund Financial Statements

The Board is accounted for as an Enterprise Fund. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of the transactions or events for the recognition in the financial statements. Enterprise funds are reported using the *economic resources measurement focus* and *accrual basis of accounting*. The Board is accounted for

The Water Works and Sewer Board of the City of Prichard Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

under the accrual basis of accounting. Revenues are recognized when earned and related expenses are recognized when they are incurred.

Budgetary Information

Members of the Board of Directors are responsible for the annual adoption and amendments to the budget.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

Cash and cash equivalents

The Board's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables and Payables

Unbilled receivables – An amount for unbilled revenue is recorded for services rendered, but not yet billed as of the end of the fiscal year. The receivable is derived from the cycle billings generated subsequent to fiscal year end and prorated for usage in September.

Allowance for doubtful accounts – Accounts receivable have been reported net of allowance for doubtful accounts.

Prepaid expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Restricted assets

Certain assets of the Board are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. Special restricted asset accounts have been established to account for the sources and uses of these limited use assets as follows:

Customer deposit accounts -Deposited in non-interest bearing account and refunded upon termination of service with the City and satisfaction of all obligations due.

The Water Works and Sewer Board of the City of Prichard Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Bond and debt service accounts – Includes certain proceeds from issuance of revenue bonds, as well as certain resources set aside for the repayment of bonds.

Capital assets

Property acquired through purchase or internal construction is stated at cost. Capital assets are defined by the Board as assets with an initial and individual cost of more than \$1,000 and an estimated useful life more than one year. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the books and any resulting gain or loss is recognized in non-operating revenue for the year. Property contributed by customers and developers is recorded at its fair value at the date received as estimated by engineers. The cost of normal maintenance and repairs is charged to operations as incurred and significant renewals and betterments are capitalized.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

Building improvements	15 to 20 years
Water distribution system	10 to 50 years
Sanitary sewer system	24 to 50 years
Water and sewer improvements	10 to 20 years
Machinery and equipment	5 to 10 years
Vehicles, computers, office equipment and furniture	5 to 10 years

Deferred outflow/inflow of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred inflows 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 has two items that qualify for reporting as deferred outflows of resources, the *deferred loss on refunding* and the *deferred outflows related to pension*. The deferred loss on refunding results from debt refinancing, whereby the reacquisition of the price of the funding debt instruments exceed their net carrying amount. The deferred loss on refunding is amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASBC Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

The Water Works and Sewer Board of the City of Prichard Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Deferred outflow/inflow of resources (continued)

In addition to liabilities, the statement of financial of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element *deferred inflow of resources* represents an acquisition of net position that applies to future period (s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has one item that qualifies for reporting as deferred inflows of resources. The *deferred inflows related to pension* are an aggregate of items related to pensions as calculated in accordance with GASBC Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years.

Accrued compensated absences

It is the Board's policy to permit employees to accumulate a limited amount of earned but unused annual leave which are eligible for payment upon separation from service. Additionally, sick leave may be accumulated. In the event of death or retirement due only to the longevity of an employee, compensation for three-fourths of accumulated sick leave is payable in one lump sum payment. The liability for such leave is reported as incurred in the statement of net position.

Long-term Obligations

Bond premiums and discounts are deferred and amortized over the life of the bonds and are recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASBC Section I30: *Interest Costs – Imputation*, bond issuance costs are expenses in the period incurred except for prepaid insurance costs.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about the fiduciary net position of the Water Works and Sewer Board of the City of Prichard Employee's Pension Fund (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Investments are valued as of the measurement date. Investments in separate accounts held at The Principal Financial Group are commingled pools, rather than individual securities and are valued at fair market value.

The Water Works and Sewer Board of the City of Prichard Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to allowance for doubtful accounts, useful lives of capital assets, and net pension liability and related deferred inflows and outflows.

Subsequent events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 31, 2026. See note 9 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

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

The Water Works and Sewer Board of the City of Prichard Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued and Implemented Accounting Pronouncements (continued)

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

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

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

The Water Works and Sewer Board of the City of Prichard Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to establish requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments. It also establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

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

NOTE 2 DETAILED NOTES

Deposits and Investments

At September 30, 2024, the Board’s carrying amount of deposits was \$25,497,423 and the total of the bank balances of these deposits was \$25,439,868. Of these deposits, \$25,439,868 was deposited with banks that are Qualified Public Fund Depositories under the Security for Alabama Funds Enhancement (SAFE) Act. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer’s Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. On September 30, 2024, \$825,532 of the Boards bank balances exceeded federal depository insurance. The Board has no formal policy regarding custodial credit risk for deposits.

State statutes authorize the Board to invest in securities of the United States as well as those of the state and local governments of Alabama. Investments of the Board consist solely of those funds required by the bond trust indentures included in the financial statements under restricted assets. The trust indentures state that the trustee "shall at all times keep the moneys continuously secured by holding on deposit, as collateral security, Federal Securities, or other marketable securities eligible as security for the deposit of trust funds under regulation of the Controller of the Currency." At September 30, 2024, these funds included \$25,439,868 in banks that are Qualified Public Fund Depositories. The Board has no formal policy regarding custodial credit risk for investments.

The Water Works and Sewer Board of the City of Prichard Notes to Financial Statements

NOTE 2 DETAILED NOTES (CONTINUED)

Restricted cash and cash equivalents

Restricted assets at September 30, 2024 consisted of money market accounts. The restricted cash accounts at September 30, 2024 were as follows:

Customer Deposits	\$	143,418
Mobile County Grant Fund		542,740
Debt Service Fund		446,947
Debt Service Reserve Fund		937,967
Capital Improvement Fund		<u>23,426,351</u>
Total	\$	<u>25,497,423</u>

Customer deposits accounts – Deposits that are refunded upon termination of service with the Board and satisfaction of all obligations due.

Mobile County Grant Funds - Funds used for specific purposes under the contract with the Mobile County Commission Appropriation Contract.

Debt Service Fund – The fund was created by the Water and Sewer Revenue Bonds, Series 2019, Trust Indenture. The indenture provides that the Board will deposit into this account on or before the last calendar day of each month, 1/6 of the amount needed to make the next interest payment and 1/12 of the amount needed to make the next maturing principal payment on the bonds. Monies on deposit in the Debt Service Fund are to be used only for payment of the principal and interest on the bonds. As of September 30, 2024, the cash in this fund is \$2,670,548 less than the amount required to meet the bond covenants for debt service.

Debt Service Reserve Fund – This fund was created by the Water and Sewer Revenue Bonds, Series 2019, Trust Indenture. Contemporaneously with the delivery of the indenture, there was paid into the Debt Service Reserve Fund, an amount equal to the maximum annual debt service. The monies forming a part of the Debt Service Reserve Fund are held as a reserve for the payment of principal and interest on the bonds but shall be used for the purpose only when necessary to prevent default in the payment of such principal and interest from the Debt Service Fund. If at any time, the balance in the Debt Service Reserve Fund should fall below the maximum required reserve, on or before the last day of the month, transfers should be made to the Debt Service Reserve Fund until it is fully restored. As of September 30, 2024, the cash in this fund is \$2,405,633 less than the amount required to meet the bond covenants.

Capital Improvement Fund – This fund was created by the Water and Sewer Revenue Bonds, Series 2019, Trust Indenture. The monies in this fund are solely to be used for the improvements of the Board’s capital system. Funds are transferred to the general account as costs are incurred and approved to be paid.

The Water Works and Sewer Board of the City of Prichard
Notes to Financial Statements

NOTE 2 DETAILED NOTES (CONTINUED)

Accounts Receivables

Unbilled receivables – An amount for unbilled revenue is recorded for services rendered, but not yet billed as of the end of the fiscal year. The receivable is derived from the cycle billings generated subsequent to fiscal year end and prorated for usage in September.

Allowance for doubtful accounts – Accounts receivable have been reported net of the allowance for doubtful accounts. Accounts receivable in excess of 90 days are subject to being considered as uncollectable.

Accounts receivable	\$	1,187,347
Unbilled receivables		736,453
Allowance for uncollectible		(80,682)
Total	<u>\$</u>	<u>1,843,118</u>

Capital Assets

Capital assets consisted of the following as of September 30, 2024:

	<u>2023</u>	<u>Additions</u>	<u>Deletions</u>		<u>2024</u>
Capital assets, not being depreciated					
Land and land improvements	\$ 569,826	\$ -	\$ -	\$ -	\$ 569,826
Total capital assets, not being depreciated	<u>569,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>569,826</u>
Capital assets, being depreciated					
Sanitary sewer system	\$ 44,377,500	\$ 144,413	\$ -	\$ -	\$ 44,521,913
Water distribution system	3,995,309	-	-	-	3,995,309
Water and sewer improvements	7,303,328	707,557	-	-	8,010,885
Machinery and equipment	2,529,196	6,399	-	-	2,535,595
Building improvements	521,350	20,755	-	-	542,105
Computers and related equipment	272,401	2,709	-	-	275,110
Vehicles	1,673,817	-	-	-	1,673,817
Office equipment and furniture	131,648	-	-	-	131,648
Total capital assets, being depreciated	<u>60,804,549</u>	<u>881,833</u>	<u>-</u>	<u>-</u>	<u>61,686,382</u>

Continued

The Water Works and Sewer Board of the City of Prichard
Notes to Financial Statements

NOTE 2 DETAILED NOTES (CONTINUED)

Capital Assets (Continued)

	2023	Additions	Deletions	2024
Less accumulated depreciation for				
Sanitary sewer system	\$ 26,633,106	\$ 976,740	\$ -	\$ 27,609,846
Water distribution system	1,990,088	101,365	-	2,091,453
Water and sewer improvements	2,123,693	307,475	-	2,431,168
Machinery and equipment	2,057,216	113,563	-	2,170,779
Building improvements	304,876	20,942	-	325,818
Computers and related equipment	246,328	12,755	-	259,083
Vehicles	1,440,904	90,229	-	1,531,133
Office equipment and furniture	103,128	10,827	-	113,955
Total accumulated depreciation	<u>34,899,339</u>	<u>1,633,896</u>	<u>-</u>	<u>36,533,235</u>
 Total capital assets, being depreciated, net	 25,905,210	 (752,063)	 -	 25,153,147
 Total capital assets, net	 <u>\$ 26,475,036</u>	 <u>\$ (752,063)</u>	 <u>\$ -</u>	 <u>\$ 25,722,973</u>

Long-term Debt

Water and Sewer Revenue Bonds

The Water and Sewer Revenue Bonds Series 2019 have principal payments ranging from \$500,000, beginning in 2020 to \$3,215,000 in fiscal year 2050 payable each November 1st. The bonds have interest rates ranging from 2.125% to 5.00%. Interest payments are due May 1st and November 1st with annual interest ranging from \$64,300 to \$2,220,088. The rate covenants include a requirement that the Fiscal Year's Annual Net Income not be less than 120% of the aggregate amount payable during such year as debt service on all outstanding bonds. Per the bond covenants the Board was to make deposits to a debt service fund to provide funds for the payment of interest and principal on the series 2019 bonds. Loss on the refunding of the Water and Sewer Revenue Bond series 2018 of \$772,418 as of September 30, 2024 is amortized over the period of the refunded Water and Sewer Revenue Bond Series 2018 at \$72,346 per year. Amortization for the year ending September 30, 2024 was \$72,346.

The Water and Sewer Revenue Bonds Series 2019 are secured by a pledge of all system revenues remaining after the payment of operating expenses (Net System Revenues). The remaining principal and interest payments on this debt as of September 30, 2024 totaled \$86,409,724. Principal and interest payments for the year ended September 30, 2024 and Net System Revenues were \$2,170,388 and \$(2,369,003) respectively. Principal and interest payments were (91.62)% of pledged revenues for the year ended September 30, 2024.

**The Water Works and Sewer Board of the City of Prichard
Notes to Financial Statements**

NOTE 2 DETAILED NOTES (CONTINUED)

Long-term Debt (continued)

Debt service requirements to maturity are summarized as follows:

Years Ending September 30,	Water and Sewer Revenue Bonds, 2019 Series			
	Principal	Interest	Premium	Total
2025	\$ 2,335,000	\$ 2,083,513	\$ 112,371	\$ 4,530,884
2026	1,255,000	2,022,263	112,371	3,389,634
2027	1,310,000	1,968,638	112,371	3,391,009
2028	1,350,000	1,928,638	112,371	3,391,009
2029	1,385,000	1,894,597	112,371	3,391,968
2030-2034	7,830,000	8,568,975	561,855	16,960,830
2035-2039	9,575,000	6,825,900	561,855	16,962,755
2040-2044	11,695,000	4,705,900	561,855	16,962,755
2045-2049	14,280,000	2,117,000	561,855	16,958,855
2050	3,215,000	64,300	21,764	3,301,064
	<u>\$ 54,230,000</u>	<u>\$ 32,179,724</u>	<u>\$ 2,831,039</u>	<u>\$ 89,240,763</u>

Note payable

On September 1, 2022, the Board converted the outstanding line of credit to an unsecured promissory note payable for \$315,158. The note payable matures on September 1, 2027, with monthly principal and interest payments of \$6,408. The interest rate on the note is variable and it is based on an independent index which is the prime rate for the U.S designated in the "Money Rates" section of the Wall Street Journal. The interest rate on September 30, 2024, was 8%. Principal and interest payments for the year ended September 30, 2024 were \$77,738. At September 30, 2024, the outstanding balance on the note payable was \$205,585.

Debt service requirements to maturity are summarized as follows:

Years Ending September 30,	Note payable		
	Principal	Interest	Total
2025	\$ 63,441	\$ 13,596	\$ 77,037
2026	68,350	8,552	76,902
2027	73,794	3,109	76,903
	<u>\$ 205,585</u>	<u>\$ 25,257</u>	<u>\$ 230,842</u>

**The Water Works and Sewer Board of the City of Prichard
Notes to Financial Statements**

NOTE 2 DETAILED NOTES (CONTINUED)

Long-term Debt (continued)

Long-term liability activity for the year ended September 30, 2024 consisted of the following:

	<u>Balance</u> <u>10/1/2023</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>9/30/2024</u>	<u>Amount Due</u> <u>Within 1 Year</u>
Water and Sewer Revenue Bonds	\$ 54,230,000	\$ -	\$ -	\$ 54,230,000	\$ 2,335,000
Unamortized premium of Water & Sewer Revenue Bond Series 2019	2,943,410	-	112,371	2,831,039	-
Note payable	258,233	-	52,648	205,585	63,441
Net pension liability	1,544,773	-	1,512,891	31,882	-
Refundable meter deposits	358,849	-	23,675	335,174	-
Compensated absences	60,626	2,301	-	62,927	-
Unearned grant revenue	-	446,473	-	446,473	-
Total	<u>\$ 59,395,891</u>	<u>\$ 448,774</u>	<u>\$ 1,701,585</u>	<u>\$ 58,143,080</u>	<u>\$ 2,398,441</u>

NOTE 3: 2019 BOND SERIES INDENTURE AGREEMENT

The 2019 Bond Series Indenture Agreement, Section 11.5, requires the Board to make and maintain such rates and charges for the water and other services supplied from the System and will make collections from the users thereof in such manner as shall produce revenues during each fiscal year at least equal to 120% of the aggregate amount due and payable during such fiscal year as debt service on all outstanding bonds. The calculations applicable to Section 11.5 are presented on page 39. The Water Works and Sewer Board of the City of Prichard did not meet these requirements for the 2024 fiscal Year.

NOTE 4: NET INVESTMENT IN CAPITAL ASSETS

The elements of this calculation are as follows:

Capital assets, net	\$ 25,722,973
Outstanding debt related to capital assets	(57,061,039)
Unspent bond proceeds	23,426,351
Total	<u>\$ (7,911,715)</u>

The Water Works and Sewer Board of the City of Prichard Notes to Financial Statements

NOTE 5: PENSION PLAN

Plan Description

Water Works and Sewer Board of the City of Prichard Employees' Pension Plan is a single-employer defined benefit pension plan sponsored by The Water Works and Sewer Board of the City of Prichard which is responsible for establishing or amending any benefit terms. The city council members of the City of Prichard are responsible for appointing the five members of the Board. There are no non-employer contributing entities, as defined by GASB 67 and 68, for this plan. There are no special funding situations, as defined by GASB 67 and 68, for this plan.

Summary of Significant Accounting Policies

Contributions

The Plans' financial statement are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions.

Method Used to Value Investments

Investments are valued as of the measurement date. Investments in separate accounts held at The Principal Financial Group are commingled pools, rather than individual securities and are valued at fair market value.

Presentation of Financial Statements

The Plan does not issue stand-alone financial reports and are not included in the reports of any other entity.

Contributions

The basis for determining contributions is an actuarially determined contribution rate that is calculated each year in the plan's actuarial valuation report. The actuarially determined contribution rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses.

In accordance with the plan's governing document, employees may be required to contribute to the plan.

The Water Works and Sewer Board of the City of Prichard
Notes to Financial Statements

NOTE 5: PENSION PLAN (CONTINUED)

Contributions (continued)

Employees are currently required to contribute 5.00% of salary.

The actuarially determined employer contribution for the plan year beginning 10/1/2022 and ending 9/30/23 is \$402,678 and decreased to \$270,651 for plan year beginning 10/1/23 and ending 9/30/24. Employer contributions for the measurement period ending 9/30/2023 were \$83,330. Employer contributions subsequent to the measurement date for the period ending 9/30/24 were \$116,662. Employee contributions for the measurement period ending 9/30/23 were \$62,476.

Plan Membership and Benefits

The makeup of plan participants as of September 30, 2023, valuation was as follows:

Measurement date	9/30/2023
Fiscal year end	9/30/2024
Active plan members	33
Inactive plan members entitled to but not yet receiving benefits	1
Disabled plan members entitled to benefits	-
Retired plan members of beneficiaries currently receiving benefits	23
Total	57

The pension plan provides for retirement and other benefits summarized below. There have been no changes in plan provisions during the measurement period. There have been no changes in plan provisions between the September 30, 2023, measurement date and the September 30, 2024 reporting date.

Plan Eligibility

Covered Group – All permanent full-time employees of The Water Works and Sewer Board of the City of Prichard.

Normal Retirement Benefit

Age – Attained age 55.

Service – 20 years of accrual service.

Form – Monthly annuity payable for life for single participants. 50% joint and survivor for married participants.

The Water Works and Sewer Board of the City of Prichard Notes to Financial Statements

NOTE 5: PENSION PLAN (CONTINUED)

Plan Membership and Benefits (continued)

Amount (accrued benefit) –

- 20 through 25 years of accrual service: 50% times the greater of average earning at termination or annual earnings at termination.
- 26 through 29 years of accrual service: 55% times the greater of average earnings at or annual earnings at termination.
- 30 through more years of accrual service: 60% times the greater of average earnings at termination or annual earnings at termination.

Late Retirement Benefit

Age – No maximum age

Form – Same as normal retirement

Amount – Accrued benefit on late retirement date

Termination Benefit

Eligibility – 5 years of accrual service

Amount –

- 5 through 9 years of accrual service: 50% of employee contributions without interest.
- 10 through 19 years of accrual service: 100% of employee contributions without interest.
- 20 or more years of accrual service: deferred benefit equal to the accrued benefit payable at normal retirement.

Disability Benefit

Eligibility – Termination of employment due to temporary or permanent disability after completion of 10 years of accrual service.

Form – Monthly income payable until normal retirement, death, or recovery and a deferred annuity payable at the Normal Retirement Date.

Amount – 50% times the greater of average earnings or annual earnings at the time of disability, payable for one year.

The Water Works and Sewer Board of the City of Prichard Notes to Financial Statements

NOTE 5: PENSION PLAN (CONTINUED)

Plan Membership and Benefits (continued)

Lump Sum Death Benefit

Amount – \$1,000 for active or retired employees

Pre-Retirement Survivor Annuity Death Benefit

Eligibility – Qualified married active participant and 15 years of accrual service

Form – Monthly annuity payable to spouse

Benefit – 50% of an accrued benefit calculated as if the participant had 20 years of accrual service

Post-Retirement Survivor Annuity Death Benefit

Eligibility – Qualified married retired participant

Form – Monthly annuity payable to spouse

Benefit – 50% of the retirement amount being received by the deceased retired participant at the time of death

Definitions

Employee contributions – 5% of annual earnings

Average earnings – average of annual compensation over the last 60 months.

Accrual service – Years of service since date of hire.

Deferred retirement option program (DROP)

The pension plan does not provide for DROP benefits.

Pension Plan Investments

Investment policy

The investment policy was adopted by the respective Plan Board, which has the authority for establishing and amending investment policy decisions for the plan. Principal Financial Advisors, Inc., a registered investment advisor and wholly owned subsidiary of Principal, has been hired to manage asset allocation strategy for the plan.

The Water Works and Sewer Board of the City of Prichard
Notes to Financial Statements

NOTE 5: PENSION PLAN (CONTINUED)

Pension Plan Investments (continued)

The plan's investments are reported at fair value. Independent investment managers and an independent custodian handle all pension investments and disbursements.

Concentrations

As of the measurement date, the following are investments (other than U.S. Government and U.S. Government guaranteed obligations) in any one organization that represents 5 percent or more of the pension plan's fiduciary net position. $\$6,180,556 \times 0.05 = \$309,028$.

Principal Financial Group \$6,180,556

Money-weighted rate of return

The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the actual timing and amount of cash flows. This return is calculated net of investment expenses.

The annual money-weighted rate of return on plan investments for the measurement period of 10/01/2022 to 09/30/2023 is 5.33%.

The actual date and amount of each contribution, benefit payment and administrative expense payment was used in the calculation of the money-weighted rate of return.

	Amount	Interest	Amount with Interest
Fiduciary Net Position, beginning	\$ 6,237,251	\$ 332,696	\$ 6,569,947
Total benefit payments	(503,735)	(14,513)	(518,248)
Total contributions	145,806	3,470	149,276
Total administrative expenses	(20,056)	(363)	(20,419)
Fiduciary Net Position, ending	\$ 5,859,266	\$ 321,290	\$ 6,180,556

Allocated insurance contracts

No annuities were purchased for plan members during the measurement period.

**The Water Works and Sewer Board of the City of Prichard
Notes to Financial Statements**

NOTE 5: PENSION PLAN (CONTINUED)

Net Pension Liability, Significant Assumptions, and Discount Rate

The components of net pension liability of the Board as of September 30, 2023, were as follows:

Total pension liability	\$ 6,212,438
Plan fiduciary net position	(6,180,556)
Board's net pension liability	\$ 31,882

Plan Fiduciary net position as a percentage of the total pension liability	99.49%
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Cost Method

The entry age actuarial cost method is used for this disclosure. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service cost.

Projected benefits are based on projected salary and projected service.

Measurement date

A measurement period of 10/01/22 to 09/30/2023 has been used for the plan year ending 09/30/2023 for GASB 67 reporting and for the fiscal year ending 09/30/2024 for GASB 68 reporting.

The net pension liability reported for The Water Works and Sewer Board of the City of Prichard's fiscal year end of 09/30/2024 was measured as of 09/30/2023, using the total pension liability that was determined by an actuarial valuation as of 09/30/2023.

Assumptions

The end of period total pension liability was determined using the assumption and methods described below.

Assumptions and methods prescribed by GASB - used to determine the total pension liability and the discount rate

Asset method - Market value of assets, as of the measurement date.

Discount rate and basis – Beginning of period – 5.50%, long-term rate of return assumption; End of period – 5.50%, long-term rate of return assumption.

The Water Works and Sewer Board of the City of Prichard Notes to Financial Statements

NOTE 5: PENSION PLAN (CONTINUED)

Net Pension Liability, Significant Assumptions, and Discount Rate (continued)

Municipal bond rate and basis – 4.73%. Bloomberg Barclays Municipal GO Long Term (17+ Y) Index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as of the measurement date.

Cost method – Entry age normal cost method, level percent of pay. Attribution is made on an individual basis, beginning with the first period in which the employee’s service accrues pension benefit through all assumed exit ages, through retirement.

Participant group – The active, deferred vested and retiree census is as of 9/30/2023.

Assumptions and methods selected by actuary - used to determine the total pension liability and the discount rate

Long-term rate of return on plan assets – 5.50%. The interest rate is developed as a long-term expected geometric return on plan assets. Arithmetic expected return is calculated as the weighted average of broad asset classes’ arithmetic returns of the plan’s target asset allocation and then converted to the geometric under lognormal distribution assumption.

Interest rate for employee accumulations – 0.00%. Set by Alabama Law Act No. 96-548

Retirement – Active participants are assumed to retire at age 55 and 20 years of service. Inactive participants are assumed to retire at Normal Retirement Age as defined in summary of plan provisions. This assumption is based on the results of recent experience analysis and anticipated future experience.

Inflation – 2.40% increase per year

Upcoming salary increases – The preceding year’s salary is increased by 5.00% at each age. Expected salary increase is composed of salary inflation, a real wage growth and a merit increase. This reflects organization’s salary increase philosophies along with more recent experience of the plan participants.

Compensation limit increase of 2.4% per year. Compensation limit increase should be consistent with the inflation assumption.

Mortality – Based on PubG-2010 General base rate mortality table projected to future years with historical and assumed mortality improvement (MI) rates using the MP 2021 mortality improvement scale. MP-2021 is the most recent improvement scale published by the SOA in October 2021.

Disability – None. Due to the size of the plan and limited experience, the plan is not recognizing a disability assumption prior to retirement. This provides a conservative measurement of obligations.

Withdrawal – 2003 Society of Actuaries Small Plan Age Table, multiplied by 1.5.

The Water Works and Sewer Board of the City of Prichard Notes to Financial Statements

NOTE 5 PENSION PLAN (CONTINUED)

Net Pension Liability, Significant Assumptions, and Discount Rate (continued)

Marriage – 75% married; male is 3 years older than the female. This assumption does not have material impact on the results of this report and has been selected based on our best estimate of active workforce.

Form of benefit – Participants are assumed to receive their benefits on the normal form at the assumed retirement age. The optional forms of payment available under the plan are considered to be actuarially equivalent.

Retirees – Assets and liabilities for current and future retirees are included.

Funding policy for employer contributions – Assume 100% of the estimated Actuarially Determined Contribution amount is contributed midway during each projection period. Written funding policy is not available. Assuming past contribution pattern continues.

Future employer contributions - Assumed employer contributions are equal to:

- Employer Normal Cost assumed to continue at 5.10% of payroll throughout the projection period. This is based on the 10/01/2023 Actuarial valuation report.
- Current bases as of the 10/01/2023 Actuarial valuation report will continue to be amortized over their remaining periods. No future experience bases will be established as experience is assumed to match projection assumptions. No future assumption bases will be established as no assumption changes are made during the projection period. No future benefit change bases will be established as no future benefit changes are assumed.
- Expenses assumed to start at \$26,000 and grow with the inflation assumption throughout the projection period. This is the best estimate available of upcoming years' expenses.

Future Employee Contributions - Employee contributions continue at 5.00% during the projection period.

The beginning of period total pension liability was determined using the same assumptions and methods. There were no assumption or method changes.

Long-term rate of return

The expected long-term rate of return assumption as of the end of period is 5.50%.

The Water Works and Sewer Board of the City of Prichard Notes to Financial Statements

NOTE 5: PENSION PLAN (CONTINUED)

Net Pension Liability, Significant Assumptions, and Discount Rate (continued)

The actual weighted average asset allocation for the four quarterly dates from 12/31/22 to 9/30/23 is used as an approximation of the plan's target asset allocation over the upcoming period, and is shown below. Based on this analysis we believe the assumption selected is in the range of reasonable rates that could be used for this period.

Asset Class	Expected Arithmetic Return	Expected Geometric Return	Target Allocation %
US Equity - Large Cap	7.80%	6.35%	19.31%
US Equity - Mid Cap	8.35%	6.35%	2.24%
US Equity - Small Cap	8.70%	6.35%	1.21%
Non-US Equity	8.00%	6.35%	9.80%
U.S. Private Real Estate	6.85%	6.20%	7.85%
Core Bond	4.40%	4.30%	54.67%
High Yield	6.30%	5.85%	4.92%
			<u>100.00%</u>

Exp LTROA (arithmetic mean)	5.84%
Portfolio standard deviation	7.39%

40th percentile	5.06%
45th percentile	5.32%
Expected Compound Return (geometric)	5.58%
55th percentile	5.84%
60th percentile	6.10%

Equity/Fixed Income/Other	33% / 60% / 8%
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Basis used to determine expected long-term return on plan assets – The Capital Market Assumptions used in the model were developed focusing on forward-looking market indicators and valuation models, as well as utilizing the analysis of historical data and trends, the outlook and forecasts from credible economic studies, and investment expert opinions.

Long-Term Capital Market Assumptions 2023

The long-term rate of return assumption as of the beginning of period was 5.50%.

**The Water Works and Sewer Board of the City of Prichard
Notes to Financial Statements**

NOTE 5: PENSION PLAN (CONTINUED)

Net Pension Liability, Significant Assumptions, and Discount Rate (continued)

Discount Rate

The discount rate used to determine the end of period Total Pension Liability is 5.50%.

The plan’s fiduciary net position and benefit payments were projected to determine if the plan’s fiduciary net position was greater than or equal to the expected benefit payments for each period from 2023 to 2116. Benefit payments after 2116 are projected to be \$0.

The long-term rate of return of 5.50% is used to calculate the actuarial present value of projected payments for each future period when the projected Fiduciary Net Position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 4.73% is used. The municipal bond rate is from Bloomberg Barclays Municipal GO Long Term (17+ Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the 09/30/2023 measurement date. The discount rate is a single rate that incorporates the long-term rate of return and municipal bond rate as described.

The discount rate used to determine the beginning of period total pension liability is 5.50%.

Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions

The pension expense for the fiscal year ended September 30, 2024 was \$8,849.

On September 30, 2024, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Statement of Deferred Outflows and (Inflows) of Resources

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ 461,442	\$ (1,366,462)
Effects of changes in assumptions	37,081	(475,812)
Net difference between expected and net investment income	709,740	-
Employer contributions subsequent to the measurement date	116,662	-
Total deferred outflows and (inflows) of resources	\$ 1,324,925	\$ (1,842,274)

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

**The Water Works and Sewer Board of the City of Prichard
Notes to Financial Statements**

NOTE 5: PENSION PLAN (CONTINUED)

Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions (Continued)

Fiscal year ending September 30,	Amount to be Recognized
2025	\$ (258,951)
2026	(308,875)
2027	(80,438)
2028	9,293
2029	4,960
Thereafter	-
Total	\$ (634,011)

Changes in Net Pension Liability and Sensitivity to Changes in Discount Rate

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balance, beginning of period	\$ 7,782,024	\$ 6,237,251	\$ 1,544,773
Changes for the year, increase/(decrease)			
Service cost	181,358	-	181,358
Interest	423,025	-	423,025
Benefit payments	(503,735)	(503,735)	-
Differences between expected and actual experience	(1,670,234)	-	(1,670,234)
Changes in assumptions	-	-	-
Employee contributions	-	62,476	(62,476)
Employer contributions	-	83,330	(83,330)
Net investment income	-	321,290	(321,290)
Administrative expenses	-	(20,056)	20,056
Net changes			
Net changes	(1,569,586)	(56,695)	(1,512,891)
Balance, end of period	\$ 6,212,438	\$ 6,180,556	\$ 31,882

**The Water Works and Sewer Board of the City of Prichard
Notes to Financial Statements**

NOTE 5: PENSION PLAN (CONTINUED)

Changes in Net Pension Liability and Sensitivity to Changes in Discount Rate

The sensitivity of the net pension liability to changes in discount rate is shown below.

Sensitivity to Changes in Discount Rate

	1% decrease 4.50%	Discount Rate 5.50%	1% increase 6.50%
Net pension liability	\$ 735,046	\$ 31,882	\$ (557,080)

Pension Plan Financial Statements

The Board does not issue separate financial statements for the pension plan. The basic financial statements include a statement of net position and a statement of changes in the fiduciary net position.

NOTE 6: 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; injuries to employees; and natural disasters.

The Board purchases separate commercial insurance coverage for workers' compensation, liability, and property damage. Coverage for workers' compensation is limited to a maximum of \$1,000,000. Coverage for general liability and automobile claims is a maximum of \$2,000,000.

The commercial insurance carried is a claims incurred policy for which the Board is covered for claims originating against the Board during the policy period. The amount of coverage is dependent on the date of the liability-imposing event. The Board has maintained continuous coverage and does not believe it has any exposure to events which occurred prior to the year ended September 30, 2024.

NOTE 7: COMMITMENTS AND CONTINGENCIES

The Board is involved in certain litigation in the ordinary course of business. Management does not anticipate these claims to have a significant adverse impact on the Board's financial position.

At September 30, 2024 the Board had open construction commitments of approximately \$535,270.

The Water Works and Sewer Board of the City of Prichard Notes to Financial Statements

NOTE 8: DEFAULT ON BOND PRINCIPAL PAYMENT

During the year ending September 30, 2024, the Board was not able to make the required principal payment to the bond trustee Synovus Corporate Trust. The result of the default led to the appointment of a receiver on November 10, 2023, to exercise all rights and power with respect to the operation and control of the Board and to draft a master plan which would address how the Board would be able to make all future required principal and interest payments.

NOTE 9: SUBSEQUENT EVENTS

Management's evaluation of subsequent events through January 31, 2026, which is the date the financial statements were available to be issued, revealed no significant matters to be recorded or disclosed.

Required Supplementary Information

The Water Works and Sewer Board of the City of Prichard
Required Supplementary Information
Schedules of Defined Benefit Pension Plans
September 30, 2024

Measurement period ending	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Fiscal year ending	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Total Pension Liability										
Service cost	\$ 181,358	\$ 175,051	\$ 208,795	\$ 198,006	\$ 173,247	\$ 323,542	\$ 289,009	\$ 77,652	\$ 52,162	\$ 43,365
Interest	423,025	359,311	338,237	336,623	385,319	415,299	398,187	379,928	377,898	371,159
Benefit payments	(503,735)	(574,664)	(536,546)	(498,014)	(584,908)	(518,660)	(483,365)	(493,885)	(503,685)	(505,954)
Difference between expected and actual experience	(1,670,234)	610,214	344,300	56,259	(632,430)	(551,458)	116,976	188,703	(10,315)	188,159
Change in assumptions	-	(916,986)	183,460	(51,445)	1,050,620	(9,307)	(31,804)	(38,153)	388,935	11,215
Net Change in Total Pension Liability	(1,569,586)	(347,074)	538,246	41,429	391,848	(340,584)	289,003	114,245	304,995	107,944
Total Pension Liability, beginning of period	7,782,024	8,129,098	7,590,852	7,549,423	7,157,575	7,498,159	7,209,156	7,094,911	6,789,916	6,681,972
Total Pension Liability, end of period	\$ 6,212,438	\$ 7,782,024	\$ 8,129,098	\$ 7,590,852	\$ 7,549,423	\$ 7,157,575	\$ 7,498,159	\$ 7,209,156	\$ 7,094,911	\$ 6,789,916
Fiduciary Net Position										
Employee contributions	\$ 62,476	\$ 70,812	\$ 48,495	\$ 59,554	\$ 55,766	\$ 67,778	\$ 84,283	\$ 58,004	\$ 13,157	\$ 12,360
Employer contributions	83,330	-	711,094	303,442	325,338	432,405	439,049	262,367	213,049	164,415
Net investment income	321,290	(1,139,286)	711,226	449,162	359,245	221,127	369,443	360,234	(12,877)	355,310
Benefit payments	(503,735)	(574,664)	(536,546)	(498,014)	(584,908)	(518,660)	(483,365)	(493,885)	(503,685)	(505,954)
Administration expenses	(20,056)	(18,326)	(17,556)	(17,556)	(17,606)	(17,596)	(17,556)	(17,636)	(17,596)	(14,556)
Net Change in Fiduciary Net Position	(56,695)	(1,661,464)	916,713	296,588	137,835	185,054	391,854	169,084	(307,952)	11,575
Fiduciary Net Position, beginning of period	6,237,251	7,898,715	6,982,002	6,685,414	6,547,579	6,362,525	5,970,671	5,801,587	6,109,539	6,097,964
Fiduciary Net Position, end of period	\$ 6,180,556	\$ 6,237,251	\$ 7,898,715	\$ 6,982,002	\$ 6,685,414	\$ 6,547,579	\$ 6,362,525	\$ 5,970,671	\$ 5,801,587	\$ 6,109,539
Net Pension Liability										
Net Pension Liability	\$ 31,882	\$ 1,544,773	\$ 230,383	\$ 608,850	\$ 864,009	\$ 609,996	\$ 1,135,634	\$ 1,238,485	\$ 1,293,324	\$ 680,377
End of Period Assumptions										
Long-term rate of return	5.50%	5.50%	4.50%	4.50%	4.50%	5.50%	5.50%	5.50%	5.50%	5.75%
Discount rate	5.50%	5.50%	4.50%	4.50%	4.50%	5.50%	5.50%	5.50%	5.50%	5.75%
Salary increase assumption	5.00%	5.00%	5.00%	5.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Retirement age assumption	55 + 20	55 + 20	55 + 20	55 + 20	55 + 20	55 + 20	55 + 20	55 + 20	55 + 20	55 + 20
Plan changes	years service	years service	years service	years service	years service	years service	years service	years service	years service	years service
	none	none	none	none	none	none	none	none	none	none

See independent auditor's report

**The Water Works and Sewer Board of the City of Prichard
Required Supplementary Information
Schedules of Defined Benefit Pension Plans
September 30, 2024**

Schedule of Net Pension Liability Ratios

Measurement period ending Fiscal year ending	9/30/2023 9/30/2024	9/30/2022 9/30/2023	9/30/2021 9/30/2022	9/30/2020 9/30/2021	9/30/2019 9/30/2020	9/30/2018 9/30/2019	9/30/2017 9/30/2018	9/30/2016 9/30/2017	9/30/2015 9/30/2016	9/30/2014 9/30/2015
Total Pension Liability	\$ 6,212,438	\$ 7,782,024	\$ 8,129,098	\$ 7,590,852	\$ 7,549,423	\$ 7,157,575	\$ 7,498,159	\$ 7,209,156	\$ 7,094,911	\$ 6,789,916
Fiduciary Net Position	6,180,556	6,237,251	7,898,715	6,982,002	6,685,414	6,547,579	6,362,525	5,970,671	5,801,587	6,109,539
Net Pension Liability	<u>\$ 31,882</u>	<u>\$ 1,544,773</u>	<u>\$ 230,383</u>	<u>\$ 608,850</u>	<u>\$ 864,009</u>	<u>\$ 609,996</u>	<u>\$ 1,135,634</u>	<u>\$ 1,238,485</u>	<u>\$ 1,293,324</u>	<u>\$ 680,377</u>
Fiduciary net position as a percentage of total pension liability	99.49%	80.15%	97.17%	91.98%	88.56%	91.48%	84.85%	82.82%	81.77%	89.98%
Covered payroll	<u>\$ 1,474,913</u>	<u>\$ 1,517,246</u>	<u>\$ 1,062,053</u>	<u>\$ 1,231,003</u>	<u>\$ 1,201,283</u>	<u>\$ 795,632</u>	<u>\$ 1,697,262</u>	<u>\$ 1,442,824</u>	<u>\$ 318,406</u>	<u>\$ 247,194</u>
Net pension liability as a percentage of covered payroll	2.16%	101.81%	21.69%	49.46%	71.92%	76.67%	66.91%	85.84%	406.19%	275.24%

See independent auditor's report

The Water Works and Sewer Board of the City of Prichard
Required Supplementary Information
Schedules of Defined Benefit Pension Plans
September 30, 2024

Schedule of Employer (ER) Contributions for GASB 67 and 68

Measurement period ending	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Fiscal year ending	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Contributions										
Actuarially determined ER contributions	\$ 402,678	\$ 274,049	\$ 325,366	\$ 330,032	\$ 296,798	\$ 457,621	\$ 430,804	\$ 260,847	\$ 211,545	\$ 160,401
ER contributions received by the plan	83,330	-	711,094	303,442	325,338	432,405	439,049	262,367	213,049	164,415
Contribution deficiency (excess)	\$ 319,348	\$ 274,049	\$ (385,728)	\$ 26,590	\$ (28,540)	\$ 25,216	\$ (8,245)	\$ (1,520)	\$ (1,504)	\$ (4,014)
Ratios										
Covered employee payroll	\$ 1,474,913	\$ 1,517,246	\$ 1,062,053	\$ 1,231,003	\$ 1,201,283	\$ 795,632	\$ 1,697,262	\$ 1,442,824	\$ 318,406	\$ 247,194
ER contributions received as a percentage of covered employee payroll	5.65%	0.00%	66.95%	24.65%	27.08%	54.35%	25.87%	18.18%	66.91%	66.51%
ADC Assumptions										
Long-term rate of return on assets	5.50%	5.50%	4.50%	4.50%	4.50%	5.50%	5.50%	5.50%	5.50%	5.75%
Interest rate	5.50%	5.50%	4.50%	4.50%	4.50%	5.50%	5.50%	5.50%	5.50%	5.75%
Salary increase assumption	5.00%	5.00%	5.00%	5.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Retirement age assumption	55 + 20	55 + 20	55 + 20	55 + 20	55 + 20	55 + 20	55 + 20	55 + 20	55 + 20	55 + 20
Plan changes	years service none	years service none	years service none	years service none	years service none	years service none	years service none	years service none	years service none	years service none

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**The Water Works and Sewer Board of the City of Prichard
 Required Supplementary Information
 Schedules of Defined Benefit Pension Plans
 Year Ended September 30, 2024**

Schedule of Money-Weighted Investment Returns

Measurement period ending	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Fiscal year ending	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Annual money-weighted rate of return on plan investments, net of investment expense	5.33%	-15.02%	9.95%	6.88%	5.56%	3.50%	6.18%	6.34%	0.22%	6.02%

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Other Information

The Water Works and Sewer Board of the City of Prichard
Other Information
Schedule of the Calculation for Maintaining Adequate Rates for the 2019 Series
Water and Sewer Bond Indenture, Section 11.5
Year Ended September 30, 2024

A - Annual Net Income - 2019 Series Bond Trust Indenture, Section 11.5	\$ (2,757,903)
B - 2024 Fiscal Year Debt Service X 1.20% - 2019 Series Bond Trust Indenture, Section 11.5 - \$3,310,388 X 1.20%	<u>3,972,466</u>
Comparison of A above to B above or (A - B) =	<u><u>\$ (6,730,369)</u></u>

* According to the 2019 Series Water and Sewer Bond Indenture, Section 11.5, the comparison above should not result in less than zero.

A- Annual Net Income

System Revenues - page 9, Trust Indenture	\$ 14,822,469
Cost of Water Purchased - page 6, Trust Indenture	4,501,637
All other operating expenses - page 6, Trust Indenture	11,629,369
Excluding depreciation and amortization - page 6, Trust Indenture	<u>(1,633,896)</u>
Total Operating Expenses, page 6, Trust Indenture	(14,497,110)
Investment income, page 6, Trust Indenture	(1,638,206)
Grant income, page 6, Trust Indenture	<u>(1,445,056)</u>
Annual Net Income - page 2, Trust Indenture	<u><u>\$ (2,757,903)</u></u>

B - 2024 Fiscal Year Debt Service

Total debt service for the 2024 Fiscal Year per the 2019 Series Bond Trust Indenture, page 3	\$ 3,310,388
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INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
The Water Works and Sewer Board of the City of Prichard
Prichard, Alabama

We were engaged to audit, 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 business-type activities, of The Water Works and Sewer Board of the City of Prichard(Board) as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise Board’s basic financial statements and have issued our report thereon dated January 31, 2026. Our report disclaims an opinion on the Fiduciary Fund Statements as we were not engaged to audit and report on those statements.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2024-001, 2024-002, 2024-003, 2024-004, 2024-005, 2024-007, 2024-008, 2024-009 and 2024-010 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2024-006.

Board's Responses to Findings

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

Purpose of This Report

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

Carr, Rigg & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
January 31, 2026

The Water Works and Sewer Board of the City of Prichard
Schedule of Findings
For the Year Ended September 30, 2024

2024-001 Significant Audit Adjustments (prior year 2023-001) (initially reported in 2023)

Condition: Adjustments to the financial records had to be proposed by the auditors for the financial statements to conform to GAAP.

Criteria: The requirement is for the Board to prepare their financial statements in accordance with GAAP.

Effect: Financial statements are not in conformity with GAAP prior to adjustment.

Cause: Adjustments were necessary for the Board prepared financial statement to be in accordance with GAAP.

Recommendation: While we realize it would not likely be financially feasible to implement procedures necessary to eliminate all proposed audit adjustments, we recommend striving to reduce the number of adjustments needed as much as possible.

Views of responsible officials and planned corrective action: We will do as you recommend.

2024-002 Accounts Receivable Subledger Does Not Agree to the General Ledger (prior year 2023-002) (initially reported in 2023)

Condition: The accounts receivable subledger does not agree to the general ledger.

Criteria – Subledgers for accounts should agree to the related balance on the general ledger.

Effect – Balance of accounts receivable on the general ledger cannot be reconciled back to the individual accounts which make up the balance. This may lead to an incorrect balance being reported on the financial statements.

Cause: Customers who have had balances written off and service terminated still appear on the accounts receivable subledger.

Recommendation: A review of all customer accounts on the subledger should be performed and those for which balances have been written off should be removed and the remaining balance agreed to the amount posted to the general ledger.

Views of responsible officials and planned corrective action: We will do as you recommend.

2024-003 Review of Bank Reconciliations (prior year 2003-003) (initially reported in 2023)

Condition: Bank reconciliations were not prepared on a timely basis or independently reviewed and signed off.

Criteria: Bank reconciliations should be prepared monthly, reviewed by someone other than the preparer and signed off as reviewed along with the date of the preparation and the date of the review.

Effect: Errors may not be caught and corrected on a timely basis. Lack of an independent review may lead to fraudulent activity not being detected.

The Water Works and Sewer Board of the City of Prichard
Schedule of Findings (Continued)
For the Year Ended September 30, 2024

Cause: Bank reconciliations were not being prepared within 30-45 days after month end. There was no sign off present on the statements that they had been independently reviewed.

Recommendation: Bank accounts should be reconciled monthly and reviewed by someone other than the preparer. Date of the preparation/review and signature of the preparer/reviewer should be included on the reconciliation.

Views of responsible officials and planned corrective action: We will do as you recommend.

2024-004 Lack of Formal Documentation on Financial Closing Procedures (prior year 2023-004) (initially reported 2023)

Condition: There are no formal written policies on accounting policies and procedures for financial closing procedures. The general ledger had not been formally closed out until the fiscal year 2024 audit had begun.

Criteria: The Board should have written accounting policies and procedures for steps taken regarding financial closing procedures to include reconciling accounts, posting accruals and closing out the general ledger on a timely basis.

Effect: Accounts may not be properly reconciled or reported when monthly or year-end financial statements are created from the general ledger system.

Cause: The Board did not document written policies for financial closing procedures.

Recommendation: The Board should document specific procedures to be followed at month and year-end for financial closing. This should include reconciling the subledgers to the general ledger and posting any necessary accruals.

Views of responsible officials and planned corrective action: We will do as you recommend.

2024-005 No Formal Inventory for Capital Assets (prior year 2023-005) (Initially reported in 2023)

Condition: Year-end inventory of capital assets is not being taken to determine that any additions or deletions of assets are being properly recorded on the general ledger.

Criteria: A yearly inventory of capital assets should be taken, and the results of that inventory should be reconciled to the balances on the general ledger.

Effect: Capital asset balances on the general ledger may not be correct and lead to possible misstatement on the financial statements.

Cause: The Board has not implemented a policy for a formal inventory of capital assets.

The Water Works and Sewer Board of the City of Prichard
Schedule of Findings (Continued)
For the Year Ended September 30, 2024

Recommendation: Once a year the staff should perform an inventory of capital assets and compare it to the current schedule of assets and the general ledger balances for agreement. Any differences should be adjusted on both the schedule of assets and on the general ledger.

Views of responsible officials and planned corrective action: We will do as you recommend.

2024-006 Bond Covenants Are Not Being Met (prior year 2023-006) (initially reported 2023)

Condition: Bond covenants under the Water and Sewer Revenue Bonds Series 2019 are not being met.

Criteria: All bond covenants should be met in accordance with those included in the Water and Sewer Revenue Bond Series 2019.

Effect: Noncompliance with the covenants can lead to legal action on the part of the bond trustee declaring the Bonds to be immediately due and payable or to appoint a receiver to administer and operate the system to ensure payment of the Bonds is met.

Cause: The Board did not meet the covenants as provided under the Water and Sewer Revenue Bond Series 2019.

Recommendation: At the time of our audit the bond trustee had already instituted legal actions against the Board and a Receiver has been put in place to administer and operate the system. Therefore, no further corrective actions can be taken to remedy the noncompliance.

Views of responsible officials and planned corrective action: With the appointment of the receiver the Board is currently working with the bond trustee regarding the default on the bond covenants.

2024-007 Lack of Reconciliation Between the CUSI System and the General Ledger (prior year 2023-007) (initially reported 2023)

Condition: There is no formal reconciliation between the CUSI system and the general ledger.

Criteria: Billings per the CUSI system should be reconciled to the postings in the general ledger for the revenue related accounts.

Effect: Billing cycles could be missed resulting in incorrect balances in the revenue and receivable accounts on the general ledger.

Cause: A reconciliation process has not been implemented to compare the monthly CUSI billings and collections against the amounts posted to the related general ledger accounts.

Recommendation: A monthly reconciliation should be prepared comparing billings and collections per the CUSI system to the general ledger postings. Someone other than the preparer should also review this reconciliation and sign off their approval.

Views of responsible officials and planned corrective action: We will do as you recommend.

**The Water Works and Sewer Board of the City of Prichard
Schedule of Findings (Continued)
For the Year Ended September 30, 2024**

2024-008 ACH Transactions Lack Signature of Approval (prior year 2023-008) (initially reported 2023)

Condition: ACH transactions journal vouchers only include the signature of the preparer.

Criteria: ACH transaction journal vouchers should be signed by both a preparer and a reviewer.

Effect: ACH transactions recorded in the general ledger could contain errors due to a lack of a second review.

Cause: The accountant prepares the journal vouchers which are reviewed by the Operations Manager but not formally signed off as reviewed and approved.

Recommendation: ACH journal vouchers should be signed off by the preparer and the reviewer prior to the release of the funds from the bank account.

Views of responsible officials and planned corrective action: With the appointment of the receiver all payments including those paid through ACH are processed by the accountant and approved by the receiver prior to payment.

2024-009 No Independent Review of New Employee Set Up (initially reported 2024)

Condition: There is no verification that new employees are set up properly in the payroll system.

Criteria: Set up of new employees should be independently verified by a reviewer.

Effect: Information concerning new employees could be incorrectly entered resulting in payroll processing errors.

Cause: Set up is done only by one person and not separately verified by a second person.

Recommendation: There should be documented verification of new employee data entered into the payroll system.

Views of responsible officials and planned corrective action: We will do as you recommend.

2024-010 Journal Vouchers Lack Signature of Approval (initially reported 2024)

Condition: Journal vouchers only include the signature of the preparer.

Criteria: Journal vouchers should be signed by both a preparer and a reviewer.

Effect: Transactions recorded in the general ledger could contain errors due to a lack of a second review.

Cause: The accountant prepares the journal vouchers which are reviewed by the Operations Manager but not formally signed off as reviewed and approved.

**The Water Works and Sewer Board of the City of Prichard
Schedule of Findings (Continued)
For the Year Ended September 30, 2024**

Recommendation: Journal vouchers should be signed off by the preparer and the reviewer prior to the release of the funds from the bank account.

Views of responsible officials and planned corrective action: With the appointment of the receiver all journal vouchers are processed by the accountant and approved by the receiver prior to posting in the general ledger.

**The Water Works and Sewer Board of the City of Prichard
Summary of Schedule of Prior Year Findings
For the Year Ended September 30, 2024**

The Board has taken corrective action for findings included in the prior year audit report, except as noted below.

Prior Year/ Current Year Finding No.	Program/Area	Brief Description	Status	Comments
2023-001/ 2024-001	Financial Statement/ Audit Adjusting Entries	Significant adjustments to the financial records were required in order to correct the financial statements.	Not Corrected	While the Board strives to improve this condition, it is not expected to be corrected within the near future due to a lack of resources.
2023-002/ 2024-002	Financial Statement/ Accounts Receivable Subledger	The accounts receivable subledger does not agree to the general ledger. Customers who have had balances written off and service terminated still appear on the accounts receivable subledger.	Not Corrected	The Board has not had enough time since the last audit to implement the suggested recommendations.
2023-003/ 2024-003	Financial Statement/ Bank Reconciliations	Bank reconciliations were not prepared on a timely basis or independently reviewed and signed off.	Not Corrected	The Board has not had enough time since the last audit to implement the suggested recommendations.

**The Water Works and Sewer Board of the City of Prichard
Summary of Schedule of Prior Year Findings (Continued)
For the Year Ended September 30, 2024**

2023-004/ 2024-004	Financial Statement/ Financial Closing Procedures	There are no formal written policies on accounting policies and procedures for financial closing procedures.	Not Corrected	The Board has not had enough time since the last audit to implement the suggested recommendations.
2023-005/ 2024-005	Financial Statement/ Inventory Procedures for Capital Assets	Year-end inventory of capital assets is not being taken to determine that any additions or deletions of assets are being properly recorded on the general ledger.	Not Corrected	The Board has not had enough time since the last audit to implement the suggested recommendations.
2023-006/ 2024-006	Financial Statement/ Bond Covenants	Bond covenants under the Water and Sewer Revenue Bonds Series 2019 are not being met.	Not Corrected	The appointed receiver is currently working with the Board to ensure the bond covenants and payments are being properly made.

**The Water Works and Sewer Board of the City of Prichard
Summary of Schedule of Prior Year Findings (Continued)
For the Year Ended September 30, 2024**

2023-007 2024-007	Financial Statement/ Reconciliation Between the CUSI System and the General Ledger	There is no formal reconciliation between the CUSI system and the general ledger.	Not corrected	The Board has not had enough time since the last audit to implement the suggested recommendations.
2023-008 2024-008	Financial Statement/ACH Transactions Lack Signature of Approval	ACH transactions journal vouchers only include the signature of the preparer.	Not corrected	The has been addressed with appointment of the receiver.
2023-009	Financial Statement/Incorrect Capitalization and Payment of Expenses	Invoices were capitalized for costs that were not additions to capital assets or for actual expenses incurred for the benefit of the water and sewer system.	Corrected	