

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

**FINANCIAL STATEMENTS
AND OTHER INFORMATION**

December 31, 2015

With Independent Auditor's Report

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of The Water Works Board of the City of Birmingham ("the Board") as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Pension and OPEB Trust Funds, discretely presented component units of the Board. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pension and OPEB Trust Funds, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



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

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Board, as of December 31, 2015 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in the year ended December 31, 2015, the Board adopted a new accounting standard, GASB Statement No. 68, Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27. Our opinion is not modified with respect to this matter.

Adjustments to Prior Period Financial Statements

The financial statements of the business-type activities of The Water Works Board of the City of Birmingham as of December 31, 2014, were audited by other auditors whose report dated June 5, 2015, expressed an unmodified opinion on those statements. As discussed in Note 14 to the financial statements, the Board has restated its 2014 financial statements during the current year to appropriately classify construction work-in-process as utility plant and service on the statements of net position, and appropriately account for deferred accounting gains and losses in accordance with Governmental Accounting Standards Board Statement (GASB) No. 65. The other auditors reported on the financial statements before the restatement.

As part of our audit of the 2015 financial statements, we also audited the adjustments described in Note 14 that were applied to restate the 2014 financial statements to retrospectively apply the change in accounting as described in Note 14. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged audit, review, or apply any procedures to The Water Works Board of the City of Birmingham 2014 financial statements other than with respect to the adjustments and, accordingly, do not express an opinion or any other form of assurance on the 2014 financial statements as a whole.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in net pension liability and employer contributions, and the schedules of OPEB funding progress, net OPEB obligation, and employer contributions on pages 4 thru 8 and 54 thru 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic



financial statements in an appropriate operational, economic, or historical context. We, and other auditors, have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The additional information section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedules of long-term debt, changes in utility plant assets, and amounts on deposit with trustee by fund and the statements of operating expenses and nonoperating revenues (expenses) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of long-term debt, changes in utility plant assets, and amounts on deposit with trustee by fund and the statements of operating expenses and nonoperating revenues (expenses) are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2016 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

June 28, 2016

Bank, Finley White & Co

**THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
December 31, 2015**

This section of The Water Works Board of the City of Birmingham's ("the Board") financial statements presents management's analysis of the Board's financial performance during the fiscal year that ended December 31, 2015. Please read it in conjunction with the financial statements, which follow this section:

Financial Highlights for 2015

- Total operating revenues increased 1.33% primarily due to increased commercial customer water sales.
- Total operating expenses increased 12.42% primarily due to pension expense and bond issuance cost.
- Nonoperating expenses increased 9.74% primarily due to depreciation and interest expense.

Overview of the Financial Statements

The Financial Statements consist of four parts: Management's Discussion and Analysis, the Basic Financial Statements, Required Supplementary Information and Additional Information. The Basic Financial Statements also include notes and required supplementary information that explain in more detail some of the information in the Financial Statements.

Required Basic Financial Statements

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

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
December 31, 2015

The Enterprise Fund Financial Statements of the Board report information about the Board using accounting methods similar to those used by private sector companies. These statements offer information about the Board's activities. The Statements of Net Position include all of the Board's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Board creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and longterm assets and liabilities. It also provides the basis for computing rate of return, evaluating the capital structure of the Board and assessing the liquidity and financial flexibility of the Board.

All of the Board's revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Fund Net Position. This statement measures the operating activities of the Board and can be used to determine whether the Board has successfully recovered all of its costs through its water rates and other charges, as well as its profitability and creditworthiness.

The final required financial statement is the Statements of Cash Flows. The primary purpose of this statement is to provide information about the Board's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and net changes in cash resulting from operating, investing, noncapital financing and capital and related financing activities and provides information regarding the sources and uses of cash that caused the change in the cash balance during the reporting period.

Financial Analysis

A summary of the Board's Enterprise Fund Statements of Net Position is presented in Table A1.

Table A-1
Condensed Statements of Net Position

	2015	2014 As Restated	Dollar Change	Percentage Change
Current and other assets	\$ 45,235,297	\$ 41,325,554	\$ 3,909,743	9.5 %
Trusted funds	255,025,518	205,350,339	49,675,179	24.2 %
Utility plant, net	827,705,999	790,546,032	37,159,967	4.7 %
Total assets	<u>\$ 1,127,966,814</u>	<u>\$ 1,037,221,925</u>	<u>\$ 90,744,889</u>	8.7 %
Total deferred outflow of resources	\$ 35,642,359	\$ 33,234,643	\$ 2,407,716	7.2 %
Current and other liabilities	\$ 60,212,085	\$ 57,107,367	\$ 3,104,718	5.4 %
Long-term liabilities	1,074,951,831	994,745,445	80,206,386	8.1 %
Total liabilities	<u>\$ 1,135,163,916</u>	<u>\$ 1,051,852,812</u>	<u>\$ 83,311,104</u>	7.9 %
Total deferred inflow of resources	\$ 20,237	\$ 23,124	\$ (2,887)	(12.5)%
Net investment in capital assets	\$ (107,177,851)	\$ (138,334,225)	\$ 31,156,374	(22.5)%
Restricted	185,720,899	178,422,582	7,298,317	4.1 %
Unrestricted	(50,118,028)	(21,507,726)	(28,610,302)	133.0 %
Total net position	<u>\$ 28,425,020</u>	<u>\$ 18,580,631</u>	<u>\$ 9,844,389</u>	53.0 %

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
December 31, 2015

As shown in Table A-1, net position increased \$9.8 million from fiscal 2014. Factors contributing to this change include a increase in current assets along with a increase in trustee funds of \$53.6 million. Net utility plant increased \$37.2 million from continued capital construction programs. Total assets increased \$90.7 million. Total current and other liabilities increased \$3.1 million, primarily due to interest accrued on long-term obligations and customer guarantee deposits. Long-term liabilities increased by \$80.2 million in 2015, primarily due to the issuance of \$175,965,000 in revenue bonds during the year and the retirement of \$124,060,000 in bonds.

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

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

	2015	2014 As Restate	Dollar Change	Percentage Change
Water revenue	\$ 161,495,107	\$ 159,693,588	\$ 1,801,519	1.1 %
Other operating revenue	<u>3,445,700</u>	<u>3,074,620</u>	<u>371,080</u>	12.1 %
Total operating revenue	164,940,807	162,768,208	2,172,599	1.3 %
Other income, primarily interest	<u>2,256,772</u>	<u>2,297,608</u>	<u>(40,836)</u>	(1.8)%
Total revenues	167,197,579	165,065,816	2,131,763	1.29 %
Water and sewer service expenses	94,789,796	83,690,343	11,099,453	13.3 %
License fees paid to municipalities	<u>4,045,786</u>	<u>3,987,303</u>	<u>58,483</u>	1.5 %
Total operating expenses	<u>98,835,582</u>	<u>87,677,646</u>	<u>11,157,936</u>	12.7 %
Depreciation	24,370,094	21,089,739	3,280,355	15.6 %
Other expenses, primarily interest on debt	<u>46,995,923</u>	<u>43,942,148</u>	<u>3,053,775</u>	6.9 %
Total expenses	<u>170,201,599</u>	<u>152,709,533</u>	<u>17,492,066</u>	11.5 %
Gain (loss) before contributions	(3,004,020)	12,356,283	(15,360,303)	(124.3)%
Capital contributions	<u>12,848,409</u>	<u>4,581,969</u>	<u>8,266,440</u>	180.4 %
Change in net position	9,844,389	16,938,252	(7,093,863)	(41.9)%
Net position at beginning of the year	<u>18,580,631</u>	<u>1,642,379</u>	<u>16,938,252</u>	1,031.3 %
Net position at end of the year	<u>\$ 28,425,020</u>	<u>\$ 18,580,631</u>	<u>\$ 9,844,389</u>	53.0 %

With total operating and nonoperating revenues, including capital contributions amounting to \$180.0 million and expenses of \$170.2 million, the Board's net position increased \$9.8 million in 2015 to \$28.4 million.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
December 31, 2015

Financial Operations Summary

Utility Plant

The Board's utility plant increased by \$56.8 million during 2015. Major areas of system improvements were Shades Mountain filter plant improvements, tank improvements, system security and service replacements. Total assets before depreciation stood at \$1,182.4 million and \$1,125.6 million for December 31, 2015 and 2014, respectively. Changes in utility plant (before accumulated depreciation) are displayed in the table below. At December 31, 2015, commitments for capital expenditures totaled approximately \$7.7million.

Changes in Utility Plant
Year-to-Year Comparison

Utility Plant	2015	2014 As Restated	Dollar Change	Percentage Change
Land and land rights	\$ 37,280,060	\$ 37,280,023	\$ 37	-%
Construction-in-progress	41,447,875	72,400,705	(30,952,830)	(42.8)%
Structures and improvements	197,539,172	177,770,821	19,768,351	11.1%
Pumping equipment	33,913,974	30,204,140	3,709,834	12.3%
Transmission and distribution mains	424,991,439	401,399,919	23,591,520	5.9%
Equipment and other utility plant	<u>447,249,185</u>	<u>406,522,812</u>	<u>40,726,373</u>	10.0%
	<u>\$ 1,182,421,705</u>	<u>\$ 1,125,578,420</u>	<u>\$ 56,843,285</u>	5.1%

Debt Administration

A summary of changes in debt obligations from 2015 to 2014, is presented as follows:

Changes in Debt
Year-to-Year Comparison

Utility Plant	2015	2014 As Restated	Dollar Change	Percentage Change
Long-term debt	\$ 1,020,857,792	\$ 950,621,007	\$ 70,236,785	7.4%
Current maturities of long-term debt	<u>19,335,000</u>	<u>17,845,000</u>	<u>1,490,000</u>	8.3%
Total debt obligations	<u>\$ 1,040,192,792</u>	<u>\$ 968,466,007</u>	<u>\$ 71,726,785</u>	7.4%

Standard and Poor's and Moody's Investor Services, both of which are widely recognized bond rating agencies, rated the Board's Water Revenue Bonds, Series 2015-A and 2015-B, at AA and Aa2, respectively.

Debt service coverage on parity debt is required by the Board's bond indenture covenant to be maintained at a minimum of 1.25 times Revenue Available for Debt Service as defined in the bond indenture. Debt service coverage on parity debt was 1.78 in 2015.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
December 31, 2015

Investment Portfolio

Trusted fund balances at December 31, 2015 increased by \$49.7 million from the end of 2014. This was mainly a result of deposits of bond proceeds to the construction fund to pay the cost of capital projects.

Economic Factors

The Board continues working to strengthen the infrastructure and financial position of the water system to provide reliable, high quality water and services to its customers. Capital improvements driven by regulatory mandates continue to increase. Security issues are requiring current and future expenditures to address various potential risks to the system. In this environment, operating efficiencies are constantly sought to keep water rates as affordable as possible.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
STATEMENTS OF NET POSITION
ENTERPRISE FUND
December 31, 2015 and 2014

	<u>2015</u>	<u>Restated 2014</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,853,474	\$ 3,234,526
Customer accounts receivable, net of allowance for doubtful accounts of \$1,171,629 and \$1,296,836 in 2015 and 2014, respectively	7,632,166	8,536,655
Unbilled water revenue	7,255,769	8,492,832
Other receivables	9,985,485	6,840,375
Materials and supplies	6,895,575	7,600,603
Prepaid expenses	<u>2,181,429</u>	<u>2,130,350</u>
Total current assets	40,803,898	36,835,341
Noncurrent assets:		
Net OPEB asset	4,431,399	4,490,213
Trusted fund assets:		
Cash and cash equivalents	78,305,892	121,205,155
Investments	175,798,732	83,413,584
Interest accrued on securities	<u>920,894</u>	<u>731,600</u>
Total trusted fund assets	<u>255,025,518</u>	<u>205,350,339</u>
Utility plant:		
Utility plant in service	1,140,973,831	1,053,177,715
Construction-in-progress	<u>41,447,875</u>	<u>72,400,705</u>
	1,182,421,706	1,125,578,420
Less accumulated depreciation	<u>(354,715,707)</u>	<u>(335,032,388)</u>
Net utility plant	827,705,999	790,546,032
Total noncurrent assets	<u>1,087,162,916</u>	<u>1,000,386,584</u>
Total assets	<u>1,127,966,814</u>	<u>1,037,221,925</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refundings of debt	25,309,962	20,566,734
Deferred outflow related to pension	<u>10,332,397</u>	<u>12,667,909</u>
Total deferred outflows of resources	<u>35,642,359</u>	<u>33,234,643</u>
Total assets and deferred outflows of resources	<u>1,163,609,173</u>	<u>1,070,456,568</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
STATEMENTS OF NET POSITION (CONT'D)
ENTERPRISE FUND
December 31, 2015 and 2014

	<u>2015</u>	<u>Restated 2014</u>
LIABILITIES		
Current liabilities:		
Accounts payable, including contract retentions	\$ 11,086,648	\$ 10,328,877
General taxes payable	879,418	877,702
Accrued expenses	5,727,588	6,091,040
Current maturities of long-term obligations	<u>19,335,000</u>	<u>17,845,000</u>
	37,028,654	35,142,619
Current liabilities payable from restricted assets:		
Interest accrued on long-term obligations	<u>23,183,431</u>	<u>21,964,748</u>
Total current liabilities	<u>60,212,085</u>	<u>57,107,367</u>
Noncurrent liabilities:		
Long-term obligations, net of current maturities	1,020,857,792	950,621,007
Customer guarantee deposits	9,945,349	9,484,301
Customer advances for construction	523,667	2,717,536
Net pension liability	<u>43,625,023</u>	<u>31,922,601</u>
Total noncurrent liabilities	<u>1,074,951,831</u>	<u>994,745,445</u>
Total liabilities	<u>1,135,163,916</u>	<u>1,051,852,812</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow of resources related to pension	<u>20,237</u>	<u>23,124</u>
NET POSITION		
Invested in capital assets, net of related debt	(107,177,851)	(138,334,225)
Restricted for debt service	185,720,899	178,422,582
Unrestricted	<u>(50,118,028)</u>	<u>(21,507,726)</u>
Total net position	<u>28,425,020</u>	<u>18,580,631</u>
Total liabilities, deferred inflows of resources and net position	<u>\$1,163,609,173</u>	<u>\$1,070,456,567</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
ENTERPRISE FUND
For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>Restated 2014</u>
OPERATING REVENUES		
Sale of water:		
Residential	\$ 80,494,895	\$ 80,049,692
Commercial	62,043,582	59,883,968
Industrial	2,612,631	2,978,035
Other water utilities	3,690,832	3,511,902
Municipal	1,332,034	1,352,450
Public and private fire protection	4,164,476	3,822,889
Raw water	<u>7,156,657</u>	<u>8,094,652</u>
Total sale of water	161,495,107	159,693,588
 Rent from utility properties	 381,651	 391,427
Other operating revenue	<u>3,064,049</u>	<u>2,683,193</u>
Total operating revenues	164,940,807	162,768,208
 OPERATING EXPENSES		
Source of supply	2,125,024	2,160,259
Power and pumping	12,000,639	12,181,985
Purification	11,151,607	11,294,364
Transmission and distribution	18,236,884	21,309,641
Customer accounting and collection	7,166,586	7,525,413
Administrative and general	44,109,056	29,218,681
License fees paid to the City of Birmingham	1,876,715	1,828,286
License fees paid to other municipalities	<u>2,169,071</u>	<u>2,159,017</u>
Total operating expenses, excluding depreciation	98,835,582	87,677,646
Depreciation	<u>24,370,094</u>	<u>21,089,739</u>
	<u>123,205,676</u>	<u>108,767,385</u>
Operating income	41,735,131	54,000,823
 Nonoperating revenues (expenses):		
Other income, primarily interest	2,256,772	2,297,608
Interest expense	<u>(46,995,923)</u>	<u>(43,942,148)</u>
Total nonoperating expenses	<u>(44,739,151)</u>	<u>(41,644,540)</u>
Gain before contributions	(3,004,020)	12,356,283
Capital contributions	<u>12,848,409</u>	<u>4,581,969</u>
Change in net position	9,844,389	16,938,252
 Net position at beginning of the year	18,580,631	37,090,030
Adjustment for adoption of GASB 68 (NOTE 1)	<u></u>	<u>(35,447,651)</u>
Net position at beginning of the year, as restated	<u>18,580,631</u>	<u>1,642,379</u>
 Net position at end of the year	<u>\$ 28,425,020</u>	<u>\$ 18,580,631</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
STATEMENTS OF CASH FLOWS
ENTERPRISE FUND

For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from potable water customers	\$ 156,160,319	\$ 150,679,709
Cash received from raw water customers	7,476,341	7,832,804
Cash received from rent of utility properties	381,651	391,427
Cash received from other operating revenues	989,649	2,683,193
Cash received for agency agreements	166,341,855	156,589,589
Cash payments for agency agreements	(166,803,012)	(158,222,068)
Payments to suppliers	(56,587,211)	(57,297,991)
Payments to employees	<u>(29,437,153)</u>	<u>(30,738,767)</u>
Net cash provided by operating activities	78,522,439	71,917,896
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(63,248,505)	(48,157,247)
Proceeds from asset disposition	477,086	
Contributed capital for construction	12,848,409	4,581,969
Customer advances for construction	(2,193,869)	(643,143)
Proceeds from bond offering	195,786,785	615,000
Payment on long-term debt	(124,060,000)	(17,150,000)
Interest paid on debt	(46,992,601)	(45,041,071)
Net cash provided (used) in capital and related financing activities	(27,382,695)	(105,794,492)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(412,808,952)	(348,840,240)
Proceeds from sale and maturities of investment securities	362,756,211	351,548,154
Interest on investments	<u>2,531,945</u>	<u>3,237,615</u>
Net cash (used) provided by investing activities	<u>(47,520,796)</u>	<u>5,945,529</u>
Net (decrease) increase in cash and cash equivalents	3,618,948	(27,931,067)
Cash and cash equivalents at beginning of the year	<u>3,234,526</u>	<u>31,165,593</u>
Cash and cash equivalents at end of the year	<u><u>\$ 6,853,474</u></u>	<u><u>\$ 3,234,526</u></u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
STATEMENTS OF CASH FLOWS (CONT'D)
ENTERPRISE FUND
For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 41,735,131	\$ 54,626,636
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	24,370,094	20,337,553
Provision for (reduction in) bad debts	(125,208)	(1,477,687)
Miscellaneous nonoperating expenses	148,506	-
Changes in operating assets and liabilities:		
Customer accounts receivable	1,029,696	(1,178,322)
Unbilled water revenue	1,237,063	(1,107,876)
Other receivables	(3,145,110)	(2,753)
Materials and supplies	705,028	(1,280,752)
Prepaid expenses	(51,079)	672,620
Net pension liability	11,702,422	(1,757,420)
Other assets	-	689,837
Net OPEB asset	58,814	428,035
Accrued interest receivable	-	660,002
Accounts payable, including contract retentions	757,771	5,828,886
General taxes payable	1,715	(103,483)
Accrued expenses	(363,452)	(4,917,031)
Customer guarantee deposits	461,048	499,651
Net cash provided by operating activities	<u>\$ 78,522,439</u>	<u>\$ 71,917,896</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Amortization of bond issue costs	<u>\$ (1,062,563)</u>	<u>\$ (625,904)</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
STATEMENTS OF PENSION NET POSITION - PENSION TRUST FUND
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets:		
Cash and cash equivalents	\$ 10,482,736	\$ 12,829,259
Investments, at market	116,523,927	115,978,564
Accrued interest and dividends	<u>295,402</u>	<u>314,445</u>
Total assets	<u>\$ 127,302,065</u>	<u>\$ 129,122,268</u>
 Liabilities and net position:		
Net position held in trust for pension benefits	<u>\$ 127,302,065</u>	<u>\$ 129,122,268</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
STATEMENTS OF CHANGES IN PENSION NET POSITION
PENSION TRUST FUND
For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Net position held in trust for pension benefits, beginning of the year	\$ 129,122,268	\$ 118,303,296
Additions:		
Employer contributions	4,709,350	7,246,003
Employee contributions	2,740,313	2,797,693
Investment income	2,968,560	2,666,911
Net realized gain (loss) on sale of assets	1,743,761	1,141,846
Changes in unrealized appreciation (depreciation)	<u>(4,530,974)</u>	<u>5,852,071</u>
Total additions (deductions), net	7,631,010	19,704,524
Deductions:		
Distributions to participants	8,528,554	8,024,529
Administrative expenses	<u>922,659</u>	<u>861,023</u>
Total deductions	<u>9,451,213</u>	<u>8,885,552</u>
Net increase (decrease)	<u>(1,820,203)</u>	<u>10,818,972</u>
Total net position held in trust for pension benefits, end of the year	<u>\$ 127,302,065</u>	<u>\$ 129,122,268</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
STATEMENTS OF PLAN NET POSITION - OPEB TRUST FUND
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets:		
Cash and cash equivalents	\$ 1,376,440	\$ 708,569
Investments, at market	23,765,467	24,540,299
Accrued interest and dividends	<u>39,175</u>	<u>40,732</u>
Total assets	<u>\$ 25,181,082</u>	<u>\$ 25,289,600</u>
 Liabilities and net position:		
Net position held in trust for pension benefits	<u>\$ 25,181,082</u>	<u>\$ 25,289,600</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
STATEMENTS OF CHANGES IN PLAN NET POSITION - OPEB TRUST FUND
For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Net position held in trust for pension benefits, beginning of the year	\$ 25,289,600	\$ 23,647,205
Additions:		
Employer contributions	1,949,329	1,978,720
Employee contributions		
Investment income	549,675	542,179
Net realized gain (loss) on sale of assets	302,495	919,609
Changes in unrealized appreciation (depreciation)	<u>(934,282)</u>	<u>189,302</u>
Total additions (deductions), net	1,867,217	3,629,810
Deductions:		
Benefits	1,548,302	1,554,536
Premiums	332,575	359,017
Administrative expenses	<u>94,858</u>	<u>73,862</u>
Total deductions	<u>1,975,735</u>	<u>1,987,415</u>
Net increase (decrease)	<u>(108,518)</u>	<u>1,642,395</u>
Total net position held in trust for pension benefits, end of the year	<u>\$ 25,181,082</u>	<u>\$ 25,289,600</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Water Works Board of the City of Birmingham ("the Board") is a public corporation incorporated on November 21, 1950, pursuant to a resolution adopted by the governing board of the City of Birmingham (the City). The Board's directors are appointed by the Birmingham City Council. The Board operates and manages water filtration plants, a water distribution system, sewage treatment plants (until sold during 2008) and waste water collection systems (collectively referred to as the System) in Jefferson County, Alabama and portions of adjacent counties.

In evaluating the Board as a reporting entity, management has determined that the Board is financially accountable for the Retirement Plan for Employees of The Water Works Board of the City of Birmingham (the Pension Plan) and the Other Postemployment Benefits Plan of The Water Works Board of the City of Birmingham (the OPEB Plan) and, as such, has included the Plan as a Pension Trust Fund and the OPEB Plan as an OPEB Trust Fund within the Board's financial statements.

Basis of Presentation and Basis of Accounting

The accounting policies of the Board conform to generally accepted accounting principles (GAAP) as applicable to governmental units. This report, the accounting systems and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB) or, where applicable, the Financial Accounting Standards Board (FASB).

The Board has adopted GASB Statement No. 20, *Accounting and Financial Report for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*.

On July 1, 2009, the Financial Accounting Standards Board (FASB) released the Accounting Standards Codification (ASC). The ASC became the single source of authoritative nongovernmental generally accepted accounting principles (GAAP) and is effective for periods ending after September 15, 2009. All existing accounting standards documents were superseded, and any other literature not included in the ASC is considered nonauthoritative. The adoption of the ASC did not have any impact on the Board's financial condition, results of operations and cash flows, as the ASC did not change existing GAAP. The adoption of the ASC changes the approach of referencing authoritative literature by topic rather than by type of standard. Accordingly, references to former FASB positions, statements, interpretations, opinions, bulletins or other pronouncements in the Board's notes to basic financial statements are now presented as references to the corresponding topic in the ASC.

Net Position

Net position is classified and reported in three components: net investment in capital assets; restricted net position; and unrestricted net position. The classifications are defined as follows:

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted net position** - This component of net position includes assets subject to external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Sometimes the Board will fund outlays for a particular purpose from both restricted (e.g., restricted bond) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the enterprise fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Board's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Accounting

The Board uses funds to report on its financial position and the results of its operations determined in conformity with accounting principles generally accepted in the United States. A fund is a separate accounting entity with a self-balancing set of accounts.

The funds presented in this report are as follows:

Proprietary Fund Type

Enterprise Fund - The fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. A fund of this type is entitled Enterprise Fund in accordance with terminology set forth in accounting principles generally accepted in the United States.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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

Fiduciary Fund Type

Pension Trust Fund - The fund is used to account for the Retirement Plan for Employees of the Board. A fund of this type is entitled Pension Trust Fund in accordance with terminology set forth in accounting principles generally accepted in the United States and is accounted for on the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Board contributions are recognized when due. Benefits are recognized when due and payable in accordance with the terms of the Pension Plan. Investments are reported at fair value.

OPEB Trust Fund - The fund is used to account for the Other Postemployment Benefits Plan of the Board. A fund of this type is entitled an OPEB Trust Fund in accordance with terminology set forth in accounting principles generally accepted in the United States and is accounted for on the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Board contributions are recognized when due. Benefits are recognized when due and payable in accordance with the terms of the OPEB Plan. Investments are reported at fair value.

Utility Plant and Depreciation

Utility plant is recorded at cost. Expenditures for maintenance, repairs and minor renewals are charged to operations as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are removed from the accounts, and the gain or loss on such disposition is reflected in income. Depreciation is recorded on individual assets using the straight-line method over the estimated useful lives of the assets.

The useful lives for the principal utility plant asset classifications are as follows:

Structures and improvements	30 to 100 years
Transmission mains	100 years
Distribution mains	67 years
Purification and pumping equipment	25 to 50 years
Transportation equipment	5 to 10 years
Other equipment	3 to 50 years

Land rights have indefinite lives and are not depreciated.

Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing activities and result from nonexchange transactions or ancillary activities.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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

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

Trusted Funds

Under the Series 2007-A, 2009, 2009-A, 2009-B, 2010-A, 2010-B, 2011 and 2012-A Water and Sewer Revenue Warrants indentures, the Series 2015-A and 2015-B Water Revenue Bonds, and the Series 2013-A and 2013-B General Obligation Capital Improvement Warrants Indenture (see Note 5), as supplemented and amended, certain funds and bank accounts were required to be established and controlled by a trustee. The accounts of the trusted funds are maintained on the cash receipts and disbursements basis and are adjusted for financial statement purposes to reflect accrued receivables and payables and certain interfund transfers.

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

Investments

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

Cash and Cash Equivalents

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

Customer Advances for Construction

Fees charged to tap into the System are recorded as liabilities until construction is complete, at which time the amounts are recognized as capital contributions in the statements of revenues, expenses and changes in net position - enterprise fund.

Materials and Supplies

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

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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

Unbilled Water Revenue

Revenue for water delivered but not billed is estimated and accrued monthly.

License Fees

The Board is not subject to federal, state or local taxes; however, annual payments are made to the City and other local municipalities for business license fees.

Compensated Absences

Compensated absences are recorded when vested or earned by employees in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses) until then. The Board has two items that qualify for reporting in this category. They are the deferred charge on the refunding on debt and the deferred charge relating to pension activities.

In addition to liabilities, the statements of position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has only one type of item that qualifies for reporting in this category. It is the amount related to the Board's pension activities.

Long-Term Debt

Long-term debts are reported as liabilities on the statements of net position. Bond premiums and discounts, and losses on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the current period.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value because of the immediate or short-term maturity of these financial instruments. The carrying amounts of long-term obligations approximate fair value because the stated interest rates on the indebtedness approximate current borrowing rates.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management of the Board to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Budget

The Board prepares an internal operations budget for management purposes which is not subject to City or State of Alabama (State) approval.

Subsequent Events

Management has evaluated subsequent events and their potential effect on these financial statements through June 28, 2016, the audit report date.

Capital Contributions

Capital contributions are recorded for the receipt of capital grants, contributions of funds, property, lines and improvements by developers, customers or other governments. Availability fees in excess of related costs are also recorded as capital contributions.

Implementation of New Accounting Standards

As required by governmental accounting standards, the Board adopted and implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contribution Made Subsequent to the Measurement Date - an amendment to GASB Statement 68*. These statements revise existing standards for employer financial statements relating to measuring and reporting pension liabilities for employer good file pension plans provided by the Board to its employees. The implementation of GASB 68 and 71 resulted in adjustment to net position of approximately \$ 35.4 million as of January 1, 2014. The standard was applied retrospectively to the 2014 financial statements.

Future Accounting Pronouncements

GASB Statement No. 72, *Fair Value Measurement and Application*, provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 72 will be effective for the Board beginning with its year ending December 31, 2016.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Other than Pensions*, replaces the requirements of Statements No. 45 and No. 57. The primary objective of GASB No. 75 is to improve accounting and financial reporting for state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This statement will be effective for the Board beginning with its year ending December 31, 2017.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, identifies—in the context of the current governmental reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The GAAP hierarchy consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement supersedes GASB Statement No. 55 and will be effective for the Board beginning with its year ending December 31, 2016.

Management has not yet determined the effect that these statements will have on its financial statements.

NOTE 2 - CASH AND CASH EQUIVALENTS

The Board of Directors approves all banks or other institutions as depositories for Board funds. The Board requires all funds on deposit to be collateralized by a pledge of unencumbered securities.

The carrying amount of cash bank balances at December 31, 2015 and 2014 totaled \$6,853,474 and \$3,234,526, respectively, and the bank balances were \$12,417,453 and \$7,725,080, respectively.

The Alabama State Legislature has enacted the Security of Alabama Funds Enhancement (SAFE) Program (Title 41, Chapter 14A, Code of Alabama 1975, as amended) that prescribes the way all Alabama public deposits are collateralized. Public deposits include the funds of any covered public entity or covered public official placed on deposit in a qualified depository, including time and demand deposit accounts and certificates of deposit but excluding bonds, notes, money market mutual funds, repurchase agreements and similar investment instruments.

Covered public entities include the state and its political subdivisions, including school boards. In the past, the bank pledged collateral directly to each public entity. Under SAFE, which is mandatory, each qualified public depository (QPD) is required to hold collateral for all of its public deposits on a pooled basis in a custody account (SAFE Custody Account) established by the State Treasurer as SAFE Administrator. In the unlikely event a public entity should suffer a deposit loss due to QPD insolvency or default; a claim form would be filed with the State Treasurer, pool collateral or other means to reimburse the loss. All deposits of the Board as of December 31, 2015 and 2014 are held in a qualified public depository.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 3 - INVESTMENTS

Assumptions

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

Disclosures

As of December 31, 2015, the Board had the following investments and maturities.

Investment Type	Market Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Trusteed Fund Securities:					
US Agency Notes	\$ 44,317,773	\$ 20,498,800	\$ 23,818,973	\$ -	\$ -
Mutual funds	66,580,141	66,580,141	-	-	-
Fixed Income Corporate Issues - Guaranteed					
Investment Contracts	<u>131,480,958</u>	<u>66,618,380</u>	<u>43,000,000</u>	<u>4,094,673</u>	<u>17,767,905</u>
	<u>\$ 242,378,872</u>	<u>\$ 153,697,321</u>	<u>\$ 66,818,973</u>	<u>\$ 4,094,673</u>	<u>\$ 17,767,905</u>

As of December 31, 2014, the Board had the following investments and maturities.

Investment Type	Market Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Trusteed Fund Securities:					
Certificates of Deposit	\$ 44,200,000	\$ 1,200,000	\$ 43,000,000	\$ -	\$ -
Fixed Income Corporate Issues - Guaranteed					
Investment Contracts	<u>39,213,584</u>	<u>-</u>	<u>21,445,679</u>	<u>-</u>	<u>17,767,905</u>
	<u>\$ 83,413,584</u>	<u>\$ 1,200,000</u>	<u>\$ 64,445,679</u>	<u>\$ -</u>	<u>\$ 17,767,905</u>

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

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 3 - INVESTMENTS (CONT'D)

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

As of December 31, 2015, the First American Treasury Obligation was rated AAA by Standard and Poor's and Aaa by Moody's. The Guaranteed Investment Contracts investments are unrated.

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

If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

At December 31, 2015 and 2014, the Board's investment balances were as follows:

	2015 Carrying Amount	2015 Fair Value	2014 Carrying Amount	2014 Fair Value
Trusted Fund Securities:				
First American U.S. Treasury				
Money Market	\$ 44,317,773	\$ 44,317,773	\$ -	\$ -
Certificates of Deposit	-	-	61,967,905	61,967,905
Mutual Funds	66,580,141	66,580,141	-	-
Fixed Income Corporate Issues -				
Guaranteed Investment Contracts	<u>131,480,958</u>	<u>131,480,958</u>	<u>21,445,679</u>	<u>21,445,679</u>
	<u>\$ 242,378,872</u>	<u>\$ 242,378,872</u>	<u>\$ 83,413,584</u>	<u>\$ 83,413,584</u>

NOTE 4 - UTILITY PLANT

Balances of major classes of utility plant assets and accumulated depreciation at December 31, 2015 and changes therein for the year then ended are as follows:

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 4 - UTILITY PLANT (CONT'D)

	Balance at December 31, 2014	Additions	Transfers	Deletions	Balance at December 31, 2015
Nondepreciable:					
Land and land rights	\$ 37,280,023	\$ -	\$ 37	\$ -	\$ 37,280,060
Construction-in-progress	72,400,705	56,741,354	(87,694,184)	-	41,447,875
Depreciable:					
Structures and improvements	177,770,821	1,192,880	18,869,450	(293,978)	197,539,173
Equipment	838,126,871	4,234,778	68,824,697	(5,031,748)	906,154,598
Total utility plant in service	1,125,578,420	62,169,012	-	(5,325,726)	1,182,421,706
Less accumulated depreciation	(335,032,388)	(24,370,094)	-	4,686,775	(354,715,707)
Net utility plant	<u>\$ 790,546,032</u>	<u>\$ 37,798,918</u>	<u>\$ -</u>	<u>\$ (638,951)</u>	<u>\$ 827,705,999</u>

Balances of major classes of utility plant assets and accumulated depreciation at December 31, 2014 and changes therein for the year then ended are as follows:

	Balance at December 31, 2013	Additions	Transfers	Deletions	Balance at December 31, 2014
Nondepreciable:					
Land and land rights	\$ 37,271,867	\$ -	\$ 8,156	\$ -	\$ 37,280,023
Construction-in-progress	168,467,722	45,815,944	(141,882,961)	-	72,400,705
Depreciable:					
Structures and improvements	172,835,072	126,963	4,808,786	-	177,770,821
Equipment	699,771,544	2,214,339	137,066,019	(925,031)	838,126,871
Total utility plant in service	1,078,346,205	48,157,246	-	(925,031)	1,125,578,420
Less accumulated depreciation	(314,704,194)	(21,089,740)	-	761,546	(335,032,388)
Net utility plant	<u>\$ 763,642,011</u>	<u>\$ 27,067,506</u>	<u>\$ -</u>	<u>\$ (163,485)</u>	<u>\$ 790,546,032</u>

NOTE 5 - LONG-TERM OBLIGATIONS

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

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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

On March 30, 2015, the Board issued \$75,760,000 of Water Revenue Bonds, Series 2015-B. The 2015-B Bonds were issued for the purpose of 1) paying the costs of certain capital improvements to the water system including improvements for regulatory compliance, 2) funding the required deposit in the Debt Service Reserve Fund, and 3) paying the costs of issuing the Series 2015-B Bonds. The Series 2015-B Bonds are payable solely out of and secured by a pledge and assignment of the revenues attributable to the system. The bonds were issued at a premium of \$8,258,957. After issuance costs and underwriter discounts of \$677,558, \$3,341,398 was transferred to the Debt Service Reserve Fund and the remaining \$80,000,000 was deposited and available for capital improvements.

On September 15, 2014, the Board issued Subordinate Water Revenue Bonds, Series 2014-DWSRF-DL. The bonds were issued in the aggregate principal amount of \$615,000 for the purpose of funding certain capital improvements to the System. The 2014 SRF Bonds are presently outstanding in the aggregate principal amount of \$615,000 and mature or are subject to mandatory redemption in the years 2016 through 2035.

On April 17, 2013, the Board issued \$23,335,000 of Water Revenue Refunding, Series 2013-A Bonds. The 2013-A Bonds were issued for the purpose of, 1) advance refunding a portion of Board's Series 2006-A Bonds, consisting of \$5,000,000 principal amount maturing January 1, 2040, and subject to mandatory redemption beginning in 2036, and \$14,760,000 principal amount maturing January 1, 2043, subject to mandatory redemption in 2041 and 2042, and 2) paying a portion of the cost of issuing the 2013-A Bonds. The Series 2013-A Bonds are payable solely out of and secured by a pledge and assignment of the revenues attributable to the system. The bonds were issued at a discount of \$781,818. After transfer of certain funds in the Debt Service Fund of \$247,000 and payment of issuance costs and underwriter discounts of \$238,597, \$22,561,585 was deposited into a 2013-A escrow fund.

On April 17, 2013, the Board issued \$70,785,000 of Water Revenue Bonds, Series 2013-B Bonds. The 2013-B Bonds were issued for the purpose of, 1) paying the costs of certain capital improvements to the water system including improvements for regulatory compliance, enhancements in safety, security, operational performance and capacity, and maintenance and replacement of system assets, 2) funding the required deposit to the Debt Service Reserve Fund, and 3) paying the costs of issuance. The Series 2013-A Bonds are payable solely out of and secured by a pledge and assignment of the revenues attributable to the system. The bonds were issued at a premium of \$8,540,051. After transfer of certain funds in the Debt Service Fund of \$3,630,709 and payment of issuance costs and underwriter discounts of \$694,343, \$75,000,000 was deposited and available for capital improvements.

On February 1, 2013, the Board issued Subordinate Water Revenue Bonds, Series 2013-DWSRF-DL. The bonds were issued in the aggregate principal amount of \$5,780,000 for the purpose of funding certain capital improvements to the System. The 2013 SRF Bonds are presently outstanding in the aggregate principal amount of \$5,560,000 and mature or are subject to mandatory redemption in the years 2014 through 2033.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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

On March 15, 2012, the Board issued \$51,710,000 of Water Revenue Bonds. The 2012-A Bonds were issued for the purpose of advance refunding the Series 2004-A Bonds. The Series 2012-A Bonds are payable solely out of and secured by a pledge and assignment of the revenues attributable to the system. The bonds were issued at a premium of \$1,283,128. After issuance costs, underwriter discounts, and bond issuance premiums of \$1,804,427, \$52,807,932 was deposited into a 2004-A escrow fund.

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

On June 7, 2011, the Board issued \$133,565,000 of Water Revenue Bonds. The 2011 Bonds were issued for the purposes of financing the costs of certain capital improvements to the System and funding the Reserve Fund under the Trust Indenture, as amended, and paying the costs of issuance of the bonds. The Series 2011 Bonds are payable solely out of and secured by a pledge and assignment of, the revenues of the Board attributable to the System. The bonds were issued at a premium of \$1,127,806. After issuance costs, underwriter discounts and bond issuance premiums of \$1,171,856, \$8,520,950 was deposited into the Debt Reserve Fund, the remaining \$125,000,000 was deposited into the Construction Fund.

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

On November 4, 2010, the Board issued \$86,975,000 of Water Revenue Refunding Bonds. The 2010-A Bonds were issued for the purpose of refunding the Board's outstanding Series 1998-A Warrants that mature in 2021 and 2029. The Series 2010-A Bonds are payable solely out of, and secured by a pledge and assignment of, the revenues of the Board attributable to the System. The bonds were issued at a premium of \$5,677,960. After issuance costs, underwriter discounts and bond insurance premiums of \$722,868, \$93,529,555 was deposited into an escrow fund for the 1998-A Bonds maturing in years 2021 through 2029.

On November 4, 2010, the Board issued \$7,525,000 of Taxable Water Revenue Refunding Bonds. The 2010-B Bonds were issued for the purpose of refunding the Board's outstanding Series 2004-B Taxable Water and Sewer Revenue Bonds that mature from 2011 through 2017. The Series 2010-B Bonds are payable solely out of, and secured by a pledge and assignment of, the revenues of the Board attributable to the System. After issuance costs, underwriter discounts and bond insurance premiums of \$65,274, \$10,767,735 was deposited into an escrow fund for the 2004-B Bonds maturing in years 2011 through 2017.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 5 - LONG-TERM OBLIGATIONS (CONT'D)

On December 15, 2009, the Board issued \$73,890,000 of Subordinate Water Revenue Refunding Bonds. The Series 2009 Bonds were issued for the purposes of refunding the Board's outstanding Series 1998-A G.O., the 1998-B G.O. Warrants and the Series 2000-A G.O. Warrants, and paying the costs of issuance of the bonds. The Series 2009 Bonds are payable solely out of, and secured by a pledge and assignment of, the revenues of the Board attributable to the System. The bonds were issued at a discount of \$59,930. After issuance costs, underwriter discounts and bond insurance premiums of \$900,732, \$1,684,959 was deposited into the Debt Reserve Fund, and the remaining \$74,514,198, which included \$3,269,819 of the Board's debt service funds related to the refunded issues, was deposited into escrow funds for the Series 1998-A G.O., the 1998-B G.O. Warrants and the Series 2000-A G.O. Warrants.

On May 1, 2009, the Board issued \$108,305,000 of Water Revenue Bonds. The 2009-A Bonds were issued for the purposes of financing the costs of certain capital improvements to the System and funding the Reserve Fund under the Trust Indenture, as amended, and paying the costs of issuance of the bonds. The Series 2009-A Bonds are payable solely out of, and secured by a pledge and assignment of, the revenues of the Board attributable to the System. The bonds were issued at a premium of \$1,509,234. After issuance costs, underwriter discounts and bond insurance premiums of \$2,804,904, \$6,999,431 was deposited into the Debt Reserve Fund, and the remaining \$100,000,000 was deposited into the Construction Fund.

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

On December 1, 2008, the Board issued \$10,000,000 of Water Revenue Bonds. The 2008-A Bonds were issued for the purposes of financing the costs of certain capital improvements to the System and funding the Reserve Fund under the Trust Indenture, as amended, and paying the costs of issuance of the bonds. The Series 2008-A Bonds are payable solely out of, and secured by a pledge and assignment of, the revenues of the Board attributable to the System. The bonds were issued at a discount of \$55,218. After issuance costs, underwriter discounts and bond insurance premiums of \$210,950, \$815,538 was deposited into the Debt Reserve Fund, and the remaining \$8,918,294 was deposited into the Construction Fund.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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

On March 1, 2007, the Board issued \$326,305,000 of Subordinate Water and Sewer Revenue Bonds, Series 2007-A. The 2007-A Bonds were issued for the purposes of advance refunding of outstanding 2002-B Bonds, providing for the addition of a surety bond or insurance policy to the Reserve Fund under the Trust Indenture, as amended, and paying the costs of issuance of the bonds, as well as refunding the 2007-B Bonds that were issued in the amount of \$11,160,000 in February 2007 for the purpose of providing funds for the Board's capital improvement program. The Series 2007-A Bonds are payable solely out of, and secured by a pledge and assignment of, the revenues of the Board attributable to the System. The bonds were issued at a discount of \$3,708,928. After issuance costs, underwriter discounts and bond insurance premiums of \$4,556,588, the remaining \$306,899,284 was deposited into an escrow fund for the 2002-B Bonds, and \$11,160,000 was used to pay off the 2007-B Bonds.

The debt service reserve fund for the Subordinate Water and Sewer Revenue Bonds, Series 2007-A, was funded initially with a reserve fund surety bond (the Original Surety Bond) in the approximate amount of \$27,200,000 that was issued by Ambac Assurance Corporation (Ambac). Because of rating changes that have occurred with respect to Ambac during 2008, the Board was required, by the provisions of the Subordinate Indenture, to either (i) replace the Original Surety Bond, by no later than December 5, 2008, with a surety bond or insurance policy in the same amount issued by a AAA-rated municipal bond insurer or with a letter of credit issued by a AA-rated bank or (ii) make cash deposits to the reserve fund to replace the Original Surety Bond, with such installments to be made in installments on at least a monthly basis over the 12-month period that ends November 5, 2009. The Board satisfied that replenishment requirement by making cash deposits to the Reserve Fund. In March 2009, \$10,000,000 was deposited, and the balance was funded in October 2009 from operating reserves.

On April 1, 2006, the Board issued \$90,310,000 of Water and Sewer Revenue Bonds, Series 2006-A. The 2006-A Bonds were issued for the purposes of financing the costs of certain capital improvements to the System, providing for the addition of a surety bond or insurance policy to the Reserve Fund under the Trust Indenture, as amended, and paying the costs of issuance of the bonds. The Series 2006-A Bonds are payable solely out of, and secured by a pledge and assignment of, the revenues of the Board attributable to the System. The bonds were issued at a reoffering premium of \$1,575,287. After issuance costs, underwriter discounts and bond insurance premiums of \$1,885,287, the remaining \$90,000,000 was deposited into the Construction Fund. On April 17, 2014, the Board advance refunded a portion of Series 2006-A Bonds from the proceeds of the Series 2013-A Bonds. The portions of the Series 2006-A Bonds refunded included \$5,000,000 principal amount maturing January 1, 2040, and subject to mandatory redemption beginning in 2036 and \$14,760,000 principal amount maturing January 1, 2043, subject to mandatory redemption in 2041 and 2042.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 5 - LONG-TERM OBLIGATIONS (CONT'D)

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

	<u>2015</u>	<u>2014</u>
Series 2006-A Water and Sewer Revenue Bonds, issued April 1, 2006, 4.50% to 5.00% interest, due annually through 2043	\$ -	\$ 70,550,000
Series 2007-A Water and Sewer Revenue Bonds, issued March 1, 2007, 3.95% to 5.00% interest, due annually through 2043	313,375,000	314,890,000
Series 2008-A Water and Sewer Revenue Bonds, issued December 1, 2008, 4.00% to 5.625% interest, due annually through 2029	-	8,350,000
Series 2009-A Water and Sewer Revenue Bonds, issued May 1, 2009, 3.00% to 5.25% interest, due annually through 2039	69,380,000	99,135,000
Series 2009-B Water Revenue Refunding Bonds, issued May 1, 2009, 5.00% interest only due annually through 2011, principal and interest due annually 2012 through 2019	25,925,000	31,635,000
Series 2009 Subordinate Water Revenue Refunding Bonds, issued December 15, 2009, 3.00% to 5.00% interest, due annually through 2029	52,680,000	56,410,000
Series 2010-A Water Revenue Refunding Bonds, issued November 4, 2010, 4.00% to 5.00% interest only due annually through 2019, principal and interest due annually 2020 through 2029	86,975,000	86,975,000
Series 2010-B Taxable Water Revenue Refunding Bonds, issued November 4, 2010, 1.574% to 3.463%, due annually through 2017	2,605,000	3,875,000
Series 2011 Water Revenue Refunding Bonds, issued June 7, 2011, 3.00% to 5.00%, due annually through 2041	125,550,000	128,020,000
Series 2011 Subordinate Water Revenue Bonds, issued February 25, 2011, 3.00% to 5.00%, due 2014 through 2031	1,730,000	1,810,000
Series 2012-A Water Revenue Refunding Bonds, issued March 15, 2012, 2.00% to 5.00%, due annually through 2034	50,945,000	51,205,000
Series 2012 Subordinate Water Revenue Bonds, issued February 15, 2012, 2.00% to 5.00%, due 2014 through 2032	1,205,000	1,260,000
Series 2013-A Water Revenue Refunding Bonds, issued April 17, 2014, 2.00% to 4.00%, due annually through 2043	23,245,000	23,335,000
Series 2013-B Water Revenue Bonds, issued April 17, 2014, 5.00%, due annually 2030 through 2034	70,785,000	70,785,000
Series 2013 Subordinate Water Revenue Bonds, issued February 1, 2013, 2.00% to 5.00%, due 2014 through 2033	5,335,000	5,560,000

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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

	<u>2015</u>	<u>2014</u>
Series 2014 Subordinate Water Revenue Bonds, issued September 25, 2014, 2.45%, due 2016 through 2035	615,000	615,000
Series 2015-A Water Revenue Refunding Bonds, issued April 14, 2015, 3.00% to 5.00%, due 2016 through 2042	100,205,000	-
Series 2015-B Water Revenue Bonds, issued April 14, 2015, 3.00% to 5.00%, due 2016 through 2045	<u>75,760,000</u>	<u>-</u>
Total long-term debt	1,006,315,000	954,410,000
Unamortized premium (discount)	<u>33,877,792</u>	14,056,007
Long-term obligations	<u>1,040,192,792</u>	<u>968,466,007</u>
Less current portion	<u>(19,335,000)</u>	<u>(17,845,000)</u>
Long-term obligations - net	<u>\$ 1,020,857,792</u>	<u>\$ 950,621,007</u>

Activity during 2015 related to long-term debt principal obligations is as follows:

	Balance at 12/31/14	Additions	Payments	Balance at 12/31/15	Due Within One Year
Water Works and Sewer Board Series 2006-A	\$ 70,550,000	\$ -	\$ (70,550,000)	\$ -	\$ -
Water Works and Sewer Board Series 2007-A	314,890,000	-	(1,515,000)	313,375,000	1,595,000
Water Works and Sewer Board Series 2008-A	8,350,000	-	(8,350,000)	-	-
Water Works Board Series 2009-A	99,135,000	-	(29,755,000)	69,380,000	2,165,000
Water Works Board Series 2009-B	31,635,000	-	(5,710,000)	25,925,000	6,005,000
Water Works Board Subordinate Series 2009	56,410,000	-	(3,730,000)	52,680,000	3,840,000
Water Works Board Series 2010-A	86,975,000	-	-	86,975,000	-
Water Works Board Series 2010-B	3,875,000	-	(1,270,000)	2,605,000	1,305,000
Water Works Board Series 2011	128,020,000	-	(2,470,000)	125,550,000	2,560,000
Water Works Board Subordinate Series 2011	1,810,000	-	(80,000)	1,730,000	85,000
Water Works Board Series 2012-A	51,205,000	-	(260,000)	50,945,000	265,000
Water Works Board Subordinate Series 2012	1,260,000	-	(55,000)	1,205,000	55,000
Water Works Board Series 2013-A	23,335,000	-	(90,000)	23,245,000	95,000
Water Works Board Series 2013-B	70,785,000	-	-	70,785,000	-
Water Works Board Subordinate Series 2013	5,560,000	-	(225,000)	5,335,000	230,000
Water Works Board Subordinate Series 2014	615,000	-	-	615,000	25,000
Water Works Board Series 2015-A	-	100,205,000	-	100,205,000	450,000
Water Works Board Series 2015-B	-	<u>75,760,000</u>	-	<u>75,760,000</u>	<u>660,000</u>
	<u>\$ 954,410,000</u>	<u>\$ 175,965,000</u>	<u>\$ (124,060,000)</u>	<u>\$ 1,006,315,000</u>	<u>\$ 19,335,000</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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

Activity during 2014 related to long-term debt principal obligations is as follows:

	Balance at 12/31/13	Additions	Payments	Balance at 12/31/14	Due Within One Year
Birmingham Water Works Board Series 2006-A	\$ 70,550,000	\$ -	\$ -	\$ 70,550,000	\$ -
Birmingham Water Works Board Series 2007-A	316,345,000	-	(1,455,000)	314,890,000	1,515,000
Birmingham Water Works Board Series 2008-A	8,710,000	-	(360,000)	8,350,000	380,000
Birmingham Water Works Board Series 2009-A	101,100,000	-	(1,965,000)	99,135,000	2,060,000
Water Works Board Series 2009-B	37,065,000	-	(5,430,000)	31,635,000	5,710,000
Water Works Board Subordinate Series 2009	60,040,000	-	(3,630,000)	56,410,000	3,730,000
Water Works Board Series 2010-A	86,975,000	-	-	86,975,000	-
Water Works Board Series 2010-B	5,115,000	-	(1,240,000)	3,875,000	1,270,000
Water Works Board Series 2011	130,405,000	-	(2,385,000)	128,020,000	2,470,000
Water Works Board Subordinate Series 2011	1,965,000	-	(155,000)	1,810,000	260,000
Water Works Board Series 2012-A	51,460,000	-	(255,000)	51,205,000	80,000
Water Works Board Subordinate Series 2012	1,315,000	-	(55,000)	1,260,000	55,000
Water Works Board Series 2013-A	23,335,000	-	-	23,335,000	90,000
Water Works Board Series 2013-B	70,785,000	-	-	70,785,000	-
Water Works Board Subordinate Series 2013	5,780,000	-	(220,000)	5,560,000	225,000
Water Works Board Subordinate Series 2014	-	615,000	-	615,000	-
	<u>\$ 970,945,000</u>	<u>\$ 615,000</u>	<u>\$ (17,150,000)</u>	<u>\$ 954,410,000</u>	<u>\$ 17,845,000</u>

The aggregate maturities of long-term debt at December 31, 2015, are as follows:

Years ending December 31,	Principal	Interest
2016	\$ 19,335,000	\$ 47,523,347
2017	20,150,000	46,716,194
2018	21,060,000	45,803,651
2019	21,995,000	44,887,575
2020	22,965,000	43,901,611
2021-2025	132,885,000	180,434,970
2026-2030	147,750,000	159,304,603
2031-2035	202,830,000	110,421,748
2036-2040	252,590,000	69,016,524
2041-2045	<u>164,755,000</u>	<u>12,895,732</u>
	<u>\$1,006,315,000</u>	<u>\$ 760,905,955</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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

Bond Discount

The following is a schedule of original issue discount, reoffering premium and amortization per issue at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Water Works and Sewer Board Series 2006-A reoffering premium	\$ -	\$ 865,418
Water Works and Sewer Board Series 2007-A original issue discount	(2,554,200)	(2,682,801)
Water Works and Sewer Board Series 2008-A original issue discount	-	(31,914)
Water Works Board Series 2009-A premium	605,012	1,104,217
Water Works Board Series 2009-B premium	749,278	1,152,593
Water Works Board Series 2009 discount	(31,206)	(35,859)
Water Works Board Series 2010-A premium	3,795,695	4,202,672
Water Works Board Series 2011-premium	895,212	951,636
Water Works Board Series 2012-A premium	982,924	1,071,510
Water Works Board Series 2013-A discount	(749,509)	(764,095)
Water Works Board Series 2013-B discount	8,044,638	8,222,630
Water Works Board Series 2015-A discount	13,933,941	-
Water Works Board Series 2015-B premium	<u>8,206,007</u>	<u>-</u>
Original discounts and premiums	<u>\$33,877,792</u>	<u>\$14,056,007</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 5 - LONG-TERM OBLIGATIONS (CONT'D)

Bond discounts and premiums totaling \$33,877,792 are being amortized over the terms of the respective bonds using the effective interest method. Unamortized discounts and premiums are netted against long-term debt in the accompanying statements of net position - enterprise fund.

The Series 2007-A Water and Sewer Revenue Bonds are subject to optional redemption on or after January 1, 2017 at a redemption price equal to 100%.

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

The Series 2009-B Water Revenue Bonds are not subject to optional redemption.

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

The Series 2010-A Water Revenue Bonds are subject to optional redemption on or after January 1, 2021 at a redemption price equal to 100%.

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

The Series 2011 Water Revenue Bonds are subject to optional redemption at any time on or after January 1, 2021, at a redemption price equal to 100%.

The Series 2011 Subordinate Water Revenue Bonds are subject to optional redemption on or after January 1, 2021 at a redemption price equal to 100%.

The Series 2012-A Water Revenue Bonds are subject to optional redemption on or after January 1, 2022 at a redemption price equal to 100%.

The Series 2012 Subordinate Water Revenue Bonds are subject to optional redemption on or after January 1, 2022 at a redemption price equal to 100%.

The Series 2013-A Water Revenue Bonds maturing in 2024 are subject to optional redemption on or after January 1, 2023 at a redemption price equal to 100%.

The Series 2013-B Water Revenue Bonds maturing in 2030 are subject to optional redemption on or after January 1, 2023 at a redemption price equal to 100%.

The Series 2014 Subordinate Water Revenue Bonds are subject to optional redemption on or after January 1, 2024 at a redemption price equal to 100%.

The Series 2015-A Water Revenue Refunding Bonds are priced to the optional redemption date of January 1, 2025 at 100%.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
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December 31, 2015

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

The Series 2015-B Water Revenue Bonds are priced to the optional redemption date of January 1, 2025 at 100%.

Bond Issue Costs

As mentioned in Note 1 to the financial statements, in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, bond issue costs, other than insurance cost, are expensed in the period incurred.

Bond Refundings

The Board issued the Series 2015-A Refunding Revenue Bonds for the purpose of refunding all of the previously issued and outstanding 2006-A in the amount of \$70,550,000, all of the previously issued and outstanding 2008-A bonds in the amount of \$7,970,000, and a portion of the previously issued and outstanding 2009-A in the amount of \$27,695,000. Neither the assets of the trust accounts nor this defeased indebtedness are included in the accompanying statements of net position – enterprise fund.

The refunding in March 2015 resulted in an accounting loss of \$ 8,761,374 which has been capitalized in accordance with GASB Statement No. 23, and is being amortized using the effective interest method through 2042. The Board decreased its aggregate debt service by approximately \$21,229,690 and incurred an economic gain (the difference between the present values of the old debt service requirements and the new debt service requirements) of approximately \$9,375,870.

When the board defeased the previously described indebtedness, it deposited funds in certain escrow accounts sufficient to provide for the subsequent payment of principle and interest on the defeased indebtedness. Under the trust agreements, all funds deposited in the trust accounts are invested in obligations of the U.S government. Neither the assets of the trust accounts nor this defeased indebtedness are included in the accompanying statements of net position enterprise fund. The principle outstanding on this defeased indebtedness at December,2015 and 2014, was approximately \$106,215,000 and \$21,152,468 respectively.

NOTE 6 - TRUSTEED FUNDS - INVESTMENTS

Restricted assets are established to the extent required by bond resolutions for the Board's long-term debt (see Note 5) and Board action. Bond proceeds, water revenue and interest income are utilized to maintain the various funds at their required levels. Amounts not needed to fund requirements may be used for any lawful purpose. Components and descriptions of the various funds, exclusive of accrued interest, are as follows at December 31, 2015 and 2014:

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
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December 31, 2015

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

	<u>2015</u>	<u>2014</u>
Construction funds	\$ 46,020,375	\$ 4,956,398
Debt service funds	43,237,615	37,677,603
Development, renewal and replacement funds	1,208,742	1,206,319
Revenue funds	99,416,348	99,879,570
Debt service reserve funds	<u>64,221,544</u>	<u>60,898,849</u>
Total	<u>\$ 254,104,624</u>	<u>\$ 204,618,739</u>

Construction Funds - Construction funds account for unexpended debt proceeds and interest income thereon from the Revenue Bonds, Series 2009-A, Series 2011 and Series 2013-B.

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

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

Revenue Funds - All system revenues are deposited in this fund. Monies in the Revenue Fund are applied for payment of all operating expenses. After operating expenses have been paid, remaining monies are to be used for payments into the Debt Service Fund, the Reserve Fund and the Improvement Fund, in the order named, and of such amounts required by the Trust Indenture.

Debt Service Reserve Funds - The debt service reserve funds are required to maintain one year's maximum debt service for the 2007-A, 2009, 2009-A, 2010-A, 2010-B and 2011. The reserve fund requirement may be satisfied, in whole or in part, with an insurance policy, surety bond or letter of credit.

Bond resolutions place certain limitations on investments permitted by the various funds.

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses are summarized as follows at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Accounts payable	\$ 8,639,242	\$ 8,325,371
Agency payables	2,123,573	1,300,795
Contract retentions	245,013	674,380
Payroll deduction payables	2,535,292	2,357,104
Accrued professional fees	146,375	147,052
Workers' compensation reserve	2,469,900	2,958,313
Landfill closure costs reserve	540,190	540,190
Other payables/accruals	<u>114,651</u>	<u>116,708</u>
	<u>\$ 16,814,236</u>	<u>\$ 16,419,913</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
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NOTE 8 - CHANGES IN AMOUNTS INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

The changes in amounts invested in capital assets, net of related debt are summarized as follows for the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Balance at beginning of the year	\$ (138,334,225)	\$ (151,382,230)
Change in capital assets	37,159,966	26,904,021
Change in related debt	<u>(6,003,592)</u>	<u>(13,856,016)</u>
Balance at end of the year	<u>\$ (107,177,851)</u>	<u>\$ (138,334,225)</u>

NOTE 9 - EMPLOYEE BENEFIT PLANS

General Information

The Board administers one contributory single employer defined benefit retirement plan, the Retirement Plan for Employees of the Water Works Board of the City of Birmingham (the Plan), which covers all employees of the Board and the employees who were previously employed by the Industrial Water Works Board (IWWB). The following discussion summarizes key provisions of the Plan. The Plan document should be referred to for a more detailed description of terms and assumptions. The Plan issues annual audited financial statements which may be obtained by writing to the Board at 3600 First Avenue North, P.O. Box 830110, Birmingham, Alabama 35283.

The funding methods and determination of benefits payable were established by the legislative acts creating such plans and provide that the pension plan funds are to be funded from employee contributions, employer contributions, and income from the investment of accumulated funds. The cost of administering the plans is funded by the Board. The Board acts as the trustee for these plans. Separate financial statements are presented in this report for the pension funds.

Significant Accounting Policies

Basis of Accounting - The Plans financial statements are prepared using the "accrual basis of accounting.

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and payable in accordance with the terms of each plan.

Estimates - The preparation of financial statements prepared in conformity with generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
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NOTE 9 - EMPLOYEE BENEFIT PLANS (CONT'D)

Change in Accounting Principle – During the year The Plan implemented GASB Statement No. 67, *Financial Reporting for Pension Plans* in 2014.

Deposits & Investments – Cash and cash equivalents include cash on hand, demand deposits, savings accounts, and short-term investments with maturities of three months or less at the time of purchase. The Plan's investments are stated at fair value. Quoted market prices are used to value investments. Investment transactions are recorded on the trade date. Realized gains and losses from sales of securities are determined using the average cost basis. In accordance with the provisions of the Plan to state investments at market value, net unrealized appreciation or depreciation for the year is reflected in the statement of changes in pension net position.

Plan Description

The Retirement Plan for Employees of the Water Works Board of the City of Birmingham (the Plan) is a single employer defined benefit pension plan formed by the Water Works Board of the City of Birmingham (the Board) to provide retirement benefits to eligible employees. The plan was established in 1951 and was funded under a group annuity contract issued by Metropolitan Life Insurance Company. In 1962, the Plan was amended and restated and all future benefits were funded through a trust fund. The Plan was amended and restated as of January 1, 1976, January 1, 1981, January 1, 1984, and January 1, 1989. Effective January 1, 2009, the Plan was further amended and restated to comply with any and all Federal laws and regulations applicable to the Plan.

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

Benefits Provided

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

- (a) equals 2% of the final average earnings (as defined by the Plan) determined as of the date of calculation multiplied by the number of years and monthly fractions of continuous service to the date of calculation, and

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
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NOTE 9 - EMPLOYEE BENEFIT PLANS (CONT'D)

- (b) equals the individual paid-up benefits, payable under the group annuity contract with Metropolitan Life Insurance Company prior to January 1, 1992, for active participants in the Plan as in effect on January 1, 1962, and
- (c) equals the accrued retirement income attributed to any prior period of service credited for an employee who has been re-employed by the Board after a break in service.

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

Contributions

The contribution requirements of the plan members are established and may be amended by the Board. Plan members were required to contribute seven percent (7%) of their annual covered salary in 2015 and 2014. The Board is required to contribute at an actuarially determined rate. The Board made the decision to adopt a new funding policy for the fiscal year January 1, 2014 to December 31, 2014. The new funding policy is to contribute the employer's normal cost plus the unfunded actuarial accrued liability that is based on an effective amortization period, of approximately 16 years, determined based on a contribution schedule increasing 4% per year beginning with a contribution of \$4,500,000 for 2014. The Board's funding policy for 2013 was to contribute the employer normal cost plus the unfunded actuarial accrued liability that is based on a 12-year level dollar amortization period. All contributions made during 2014 and 2013 were cash contributions. Administrative costs of the Plan are financed through investment earnings.

Membership Data

At December 31, 2015, the most recent measurement date of the net pension liability, membership data for the pension plans are as follows:

Retired participants and beneficiaries	292
Vested terminated participants	7
Active participants	<u>603</u>
	<u>902</u>

The Plan issues a stand-alone financial reports. See page 41 for the address where the report can be obtained.

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NOTE 9 - EMPLOYEE BENEFIT PLANS (CONT'D)

Net Pension Liability

The net pension liability (NPL) is the difference between the "Total Pension Liability" (TPL) and the plan's "fiduciary net position" (FNP). The total pension liability (TPL) is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service, and automatic cost of living adjustments (COLA's). In addition, ad hoc COLAs are also included in the TPL to the extent they are substantively automatic. The FNP is determined on the same basis used by the pension plan. The Board's net pension liability was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

<u>Net Pension Liability</u>	
Measurement Date	12/31/15
Total Pension Liability	\$ 170,927,086
Fiduciary Net Position	<u>127,302,063</u>
Net Pension Liability	<u>\$ 43,625,023</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	74.48%

Schedule of Changes in Net Pension Liability

The Changes in Net Pension Liability Plan for the fiscal year ended December 31, 2015, are as follows:

<u>Change in Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Service Cost	\$ 4,031,007	-	\$ 4,031,007
Interest on Total Pension Liability	11,758,667	-	11,758,667
Change in Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(23,124)	-	(23,124)
Employer Contribution	-	4,709,350	(4,709,350)
Employee Contributions	-	2,740,313	(2,740,313)
Pension Plan Net Investment Income	-	(396,188)	396,188
Assumption Changes	2,640,952	-	2,640,952
Benefit Payments, including Refunds	(8,525,285)	(8,525,285)	-
Administrative Expense	-	(348,395)	348,395
Net Change	<u>9,882,217</u>	<u>(1,820,205)</u>	<u>11,702,422</u>
Net Pension Liability Beginning	<u>161,044,869</u>	<u>129,122,268</u>	<u>31,922,601</u>
Net Pension Liability Ending	<u>\$ 170,927,086</u>	<u>127,302,063</u>	<u>\$ 43,625,023</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
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NOTE 9 - EMPLOYEE BENEFIT PLANS (CONT'D)

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates (as a percentage of pay) and that employer contributions will be made in accordance with the current funding policy of paying contributions starting with \$4,500,000 for Fiscal 2014, increasing by 4% per year for future years, until the Plan is fully funded, after which point contributions will be reduced to the actuarially determined normal cost including expected administrative expenses. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. For the prior year, the discount rate was 7.50%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Board, calculated using the discount rate of 7.50%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) than the current rate:

Sensitivity	<u>1% Decrease 6.50%%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
Plan's net pension liability	\$64,576,503	\$43,625,023	\$26,061,567

Pension Expense and Schedule of Deferred Outflows and Inflow of Resources

For the fiscal year ended December 31, 2015, the Board recognized pension expense of \$18,072,503. Deferred outflows of resources and deferred inflows of resources reported by the Board at December 31, 2015, are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ -	\$ 20,237
Changes of assumptions	2,310,833	-
Net difference between projected and actual	<u>8,021,564</u>	<u>-</u>
Total	<u>\$ 10,332,397</u>	<u>\$ 20,237</u>

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December 31, 2015

NOTE 9 - EMPLOYEE BENEFIT PLANS (CONT'D)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at December 31, 2015 will be recognized in pension expense as follows:

<u>Years ended December 31,</u>	<u>Retirement Plan</u>
2016	\$ 2,332,619
2017	\$2,332,619
2018	\$2,332,619
2019	\$2,332,619
2020	\$327,228
Thereafter	\$654,456

Assumptions and Other Data

<u>Schedule of Assumptions</u>	<u>Retirement Plan</u>
Valuation Date	December 31, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Effective amortization based on contribution schedule
Amortization Period	13.6 Years
Asset Valuation Method	5 Year Smooth
Investment Rate of Return	7.50%
Inflation	2.75%
Salary increases	3.00% - 11.00%, based on years of service
Mortality Rates	Mortality rates for active and terminated vested participants were based on the sex-distinct RP-2014 Employee Mortality Table, projected generationally with Scale MP2015 from 2014.
	Mortality rates for healthy annuitants were based on the sex-distinct RP-2014 Healthy Annuitant Mortality Table with rates multiplied by 1.25, projected generationally with Scale MP2015 from 2014.
	Mortality rates for disabled annuitants were based on the sex-distinct RP-2014 Disabled Retiree Mortality Table with rates multiplied by 1.25, projected generationally with Scale MP2015 from 2014.

The actuarial assumptions used in the December 31, 2015 measurements were based on the results of an experience study for the period January 1, 2009 to December 31, 2013.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 9 - EMPLOYEE BENEFIT PLANS (CONT'D)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	55%	6.8%
Core Fixed Income	33%	1.8%
Alternatives	10%	11.6%
Cash Equivalents	2%	1.2%
Total	<u>100%</u>	

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

The Board sponsors a single-employer other postemployment benefit plan (OPEB). The OPEB provides for medical and dental insurance coverage to eligible retirees and their dependents as indicated below:

Eligibility: Participants who are retired and receiving a pension under The Water Works Board of the City of Birmingham Pension Plan or disabled with at least two years of service are eligible for coverage under the OPEB. Benefits are generally available at the earliest of the following:

- a. 30 years of service
- b. The later of age 52 and 20 years of service
- c. The later of age 54 and 10 years of service

Benefit Types: Life, medical and prescription drug benefits are provided to all eligible retirees. Dental and vision benefits are provided only to under age 65 retirees. Dependents of eligible retirees are granted the same benefits as the retiree, with the exception of life insurance coverage, which is not available to dependents.

Duration of Coverage: Coverage is available for eligible participants from the date of retirement until death. When the participant reaches age 65, health benefits will change to Medicare, with the OPEB covering premiums for Medicare Supplemental insurance. Retirees with less than 25 years of service as of January 1, 2008 are not eligible for Post-65 coverage.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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

Dependent Coverage: Benefits are payable to a spouse of an eligible retiree for the spouse's lifetime, regardless of when the retiree dies. When the dependent reaches age 65, health benefits will change to Medicare, with the OPEB covering premiums for Medicare Supplemental insurance. Spouses of retirees with less than 25 years of service as of January 1, 2008 are not eligible for Post-65 coverage.

At December 31, 2015, the most recent actuarial valuation date, the OPEB had 269 retired participants and beneficiaries receiving benefits. The OPEB had a total of 604 active participants.

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits (OPEB) other than Pensions*. GASB Statement No. 45 establishes standards for the measurement, recognition and disclosure of OPEB expenses and related liabilities and is effective for the Board for the year ended December 31, 2008. Under this statement, all state and local governmental entities that provide other postemployment benefits (OPEB) are required to report the cost of these benefits on their financial statements. The Board implemented GASB Statement No. 45 prospectively.

The statement covers postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are not offered as part of a pension plan; and long-term disability insurance for employees. These benefits, referred to as OPEB, are typically financed on a pay-as-you-go basis. The new standard introduces an accrual-basis accounting requirement; thereby recognizing the employer cost of postemployment benefits over an employee's career. The standard also introduces a consistent accounting requirement for both pension and nonpension benefits.

The total cost of providing postemployment benefits is projected, taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends and other actuarial assumptions. This amount is then discounted to determine the actuarial present value of the total projected benefits (APB). The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the Plan.

Once the UAAL is determined, the ARC is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. This ARC is compared to actual contributions made, and any difference is reported as the net OPEB obligation (NOO). In addition, required supplementary information (RSI) must be reported, including historical information about the UAAL and the progress in funding the Plan.

Funding Policy - The Board made an initial funding of the OPEB trust of \$4,000,000 in 2009. In addition, the Board funded the actuarial required contribution (ARC) to the OPEB in 2011. It is the intention of the Board to fund the ARC on an annual basis as it is determined. Currently, retirees and employees are not required to contribute to the OPEB.

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December 31, 2015

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

Annual OPEB Cost and Net OPEB Obligation

The Board's OPEB cost is calculated based on the ARC calculated using the projected unit credit method, an allowable cost method under GASB Statement No. 45. The ARC is the basic annual expense recognized under GASB Statement No. 45 that is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years, which is the amortization period used by the Plan. The following table shows the components of the Board's OPEB cost for the years ended December 31, 2015 and 2014, the amount actually contributed to the Plan and the changes in the Board's net OPEB obligation to the Plan:

	<u>2015</u>	<u>2014</u>
Annual required contribution	\$ 2,001,009	\$ 1,989,582
Interest on net OPEB obligation	(336,766)	(337,194)
Adjustment to annual required contribution	<u>343,900</u>	<u>332,033</u>
Annual OPEB cost	2,008,143	1,984,421
Contributions made	<u>(1,949,329)</u>	<u>(1,978,720)</u>
Change in net OPEB obligation	58,814	5,701
Net OPEB obligation, beginning of the year	<u>(4,490,213)</u>	<u>(4,495,914)</u>
Net OPEB (asset) obligation, end of the year	<u>\$ (4,431,399)</u>	<u>\$ (4,490,213)</u>

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal years 2015 and 2014 were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB (Asset) Obligation</u>
12/31/2015	\$ 2,008,143	\$ 1,949,329	97.1%	\$ (4,431,399)
12/31/2014	\$ 1,984,421	\$ 1,978,720	99.7%	\$ (4,490,213)
12/31/2013	\$ 3,615,481	\$ 897,502	24.8%	\$ (4,495,914)
12/31/2012	\$ 3,665,474	\$ 4,871,996	132.9%	\$ (7,213,893)
12/31/2011	\$ 3,535,379	\$ 4,651,072	131.6%	\$ (6,007,371)

Funded Status and Funding Progress

As of December 31, 2015, the most recent actuarial valuation date, the OPEB was 77% funded. The actuarial accrued liability was \$32,627,191, and the actuarial value of assets was \$25,181,083, resulting in an unfunded actuarial accrued liability of \$7,446,108. Covered payroll was approximately \$36.8 million, resulting in unfunded actuarial accrued liability as a percentage of covered payroll of 20.22%.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
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NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PLAN (CONT'D)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of pension funding progress and employer contributions, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of OPEB assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying Schedules of OPEB Funding Progress Employer Contributions, Net OPEB Obligation, and Employer Contributions present trend information about the amounts contributed to the OPEB by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Actuarial Methods and Assumptions

The information presented above was determined as part of the actuarial valuation at the date indicated. Projections of benefits for financial reporting purposes are based on the substantive plan (the OPEB as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Valuation Date	January 1, 2016
Actuarial Cost Method	Unit Credit
Asset Valuation Method	Market Value
Amortization Method	Closed, 25-year level percent of payroll
Mortality	Healthy - RP-2014 Mortality Table. Disabled - RP-2014 Disabled Retiree Mortality Table
Discount Rate/Investment Return	7.50% per annum
Projected Salary Increases	3.00% - 11.00%, based on 4 years of service
Inflation Rate	2.75% per annum

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

Health Care Costs Rates	Under 65 combined Medical and Vision cost trend rate for - 7.00% graded to 5.00% over 4 years
	Over 65 combined Medical and Vision cost trend rate - 8.50% graded to 5.00% over 7 year
	Drug cost trend rate - 11.00% graded to 5.00% over 12 years
	Dental cost trend rate - 4.00%

NOTE 11 - DEFERRED COMPENSATION PLAN

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights (until paid or made available to the employee or other beneficiary) are solely the property and rights of the participating employees. In accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the deferred compensation assets and liabilities are not recorded in the accompanying statements of net position - enterprise fund.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

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

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

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

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 12 - COMMITMENTS AND CONTINGENCIES (CONT'D)

Both of these estimates are actuarially determined using details of historical activity provided by the Board's claims administrators. The following is a reconciliation of changes in the aggregate liabilities for self-insured workers' compensation and health care coverage claims for the years ended December 31, 2015 and 2014. The end of year accrual is included in accrued expenses in the accompanying statements of net position - enterprise fund.

	<u>2015</u>	<u>2014</u>
Beginning of the year accrual	\$ 2,958,313	\$ 2,110,148
Claims expense	9,179,336	7,572,208
Claims paid	<u>(9,667,749)</u>	<u>(6,724,043)</u>
End of the year accrual	<u>\$ 2,469,900</u>	<u>\$ 2,958,313</u>

At December 31, 2015, commitments for capital expenditures totaled approximately \$7.7 million.

NOTE 13 - AGENCY AGREEMENTS

The Board, in an agreement with Jefferson County, Alabama (the County) and as provided by State of Alabama law, collects service charges for use of the County sewer disposal system from the Board's water customers as a separate item on the Board's water bills. The Board remits weekly to the County all sewer service charges collected, and it bills the County for the cost of collecting such charges which, under the agreement with the County, includes a portion of the Board's general overhead expense. Sewer service charges have been collected for the County by the Board since 1962. The Board has similar agreements with the City of Hoover (Hoover), South West Water and Alabama Utilities. The liability for unremitted collections under these agency agreements is included in accounts payable in the accompanying statements of net position - enterprise fund. The amounts charged under these agency agreements are reflected as reductions in operating expenses in the accompanying statements of revenues, expenses and changes in net position - enterprise fund.

The Board also bills its customers a State of Alabama utility tax based on a percentage of revenues. The funds collected are remitted to the State monthly. The liability for unremitted collections to the State is included in general taxes payable in the accompanying statements of net position - enterprise fund.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 13 - AGENCY AGREEMENTS (CONT'D)

Following is a summary of amounts received and disbursed and costs of collecting charges billed under the agency agreements described above for the year ended December 31, 2015:

	<u>Sewer Charges</u>	<u>State of Alabama Utility Taxes</u>
Amounts received:		
Jefferson County	\$ 149,179,322	
City of Hoover	3,849,626	
SouthWest Water	7,066,961	
Alabama Utilities	1,405,411	
Phoenix	314,657	
State of Alabama - utility taxes		\$ 5,753,666
Total amounts received	<u>161,815,977</u>	<u>5,753,666</u>
Amounts disbursed:		
Jefferson County	148,297,723	
City of Hoover	3,870,140	
SouthWest Water	7,020,546	
GUSC Moody	1,490,095	
Phoenix	314,696	
State of Alabama - utility taxes		5,809,812
Total amounts disbursed	<u>160,993,200</u>	<u>5,809,812</u>
Receipts less disbursements	822,777	(56,146)
Balance at beginning of the year	1,300,795	428,014
Balance at end of the year	<u>\$ 2,123,572</u>	<u>\$ 371,868</u>
Cost of collecting charges billed:		
Jefferson County	<u>\$ 4,009,513</u>	
City of Hoover	<u>\$ 161,567</u>	
SouthWest Water	<u>\$ 295,011</u>	
Phoenix	<u>\$ 11,768</u>	
Alabama Utilities	<u>\$ 61,457</u>	

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 13 - AGENCY AGREEMENTS (CONT'D)

Following is a summary of amounts received and disbursed and costs of collecting charges billed under the agency agreements described above for the year ended December 31, 2014:

	<u>Sewer Charges</u>	<u>State of Alabama Utility Taxes</u>
Amounts received:		
Jefferson County	\$ 139,638,745	
City of Hoover	3,731,043	
SouthWest Water	6,899,674	
GUSC Moody	1,388,795	
Phoenix	165	
State of Alabama - utility taxes		\$ 5,541,864
Total amounts received	151,658,422	5,541,864
Amounts disbursed:		
Jefferson County	141,178,545	
City of Hoover	3,737,897	
SouthWest Water	6,988,075	
Alabama Utilities	1,405,332	
State of Alabama - utility taxes		4,912,219
Total amounts disbursed	153,309,849	4,912,219
Receipts less disbursements	(1,651,427)	629,645
Balance at beginning of the year	2,952,222	(201,631)
Balance at end of the year	<u>\$ 1,300,795</u>	<u>\$ 428,014</u>
Cost of collecting charges billed:		
Jefferson County	<u>\$ 4,460,943</u>	
City of Hoover	<u>\$ 175,255</u>	
SouthWest Water	<u>\$ 286,448</u>	
Alabama Utilities	<u>\$ 56,184</u>	

NOTE 14 - RESTATEMENT OF PRIOR YEAR BALANCES

The prior year's financial statements have been adjusted to reflect the proper treatment of deferred losses on refundings of debt in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Deferred losses on refundings resulting in the defeasance of debt are reported as deferred outflows of resources in the statement of net position.

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 14 - RESTATEMENT OF PRIOR YEAR BALANCES (CONT'D)

The prior year's financial statements have also been adjusted to reflect the reclassification of construction-in-progress to utility plant in service. This also resulted in an adjustment an increase in accumulated depreciation in the statement of net position and an increase in depreciation expense for 2014.

	As Previously Reported 12/31/14	Adjustment/ Reclass	As Restated 12/31/14
STATEMENTS OF NET POSITION			
ASSETS			
Noncurrent assets			
Net pension asset	\$ 16,169,835	(16,169,835)	\$ -
Net OPEB asset	<u>4,363,840</u>	<u>126,373</u>	<u>4,490,213</u>
Total noncurrent assets	20,533,675	(16,043,462)	4,490,213
Utility plant:			
Utility plant in service	\$1,011,079,595	42,098,120	\$ 1,053,177,715
Construction-in-progress	<u>114,498,825</u>	<u>(42,098,120)</u>	<u>72,400,705</u>
	1,125,578,420	-	1,125,578,420
Less: accumulated depreciation	<u>(334,280,202)</u>	<u>(752,186)</u>	<u>(335,032,388)</u>
Net utility plant	\$ 791,298,218	(752,186)	\$ 790,546,032
Total assets	\$1,054,017,573	(16,795,648)	\$ 1,037,221,925
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refundings of debt	-	20,566,734	20,566,734
Deferred outflow related to pension	<u>-</u>	<u>12,667,909</u>	<u>12,667,909</u>
Total deferred outflows of resources	<u>-</u>	<u>33,234,643</u>	<u>33,234,643</u>
Noncurrent liabilities			
Long-term obligations, net of current maturities	930,054,273	20,566,734	950,621,007
Net pension liability	-	31,922,601	31,922,601
Total noncurrent liabilities	<u>942,256,110</u>	<u>52,489,335</u>	<u>994,745,445</u>
Total liabilities	<u>999,363,477</u>	<u>52,489,335</u>	<u>1,051,852,812</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow of resources related to pension	-	23,124	23,124
NET POSITION			
Invested in capital assets, net of related debt	(158,148,773)	19,814,547	(138,334,226)
Restricted for debt service	178,422,582	-	178,422,582
Unrestricted	<u>34,380,286</u>	<u>(55,888,010)</u>	<u>(21,507,724)</u>
Total net position	54,654,095	(36,073,463)	18,580,632
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION			
Depreciation	20,337,553	752,186	21,089,739

REQUIRED SUPPLEMENTARY INFORMATION

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS
Last 2 Fiscal Years

	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service cost	\$ 4,031,007	\$ 3,923,555
Interest on total pension liability	11,758,667	11,172,426
Change in benefit terms	-	-
Difference between expected and actual experience	(23,124)	995,470
Assumption changes	2,640,952	-
Benefit payments, including refunds	<u>(8,525,285)</u>	<u>(8,024,529)</u>
Net change in total pension liability	9,882,217	8,066,922
Total pension liability- beginning	<u>161,044,869</u>	<u>152,977,947</u>
Total pension liability- ending (a)	<u>\$ 170,927,086</u>	<u>\$ 161,044,869</u>
Plan Fiduciary Net Position		
Employer contributions	4,709,350	7,246,003
Employee contributions	2,740,313	2,798,057
Pension plan net investment income	(396,188)	9,136,639
Benefit payments, including refunds	(8,525,285)	(8,024,529)
Administrative expense	<u>(348,395)</u>	<u>(337,198)</u>
Net change in plan fiduciary net position	(1,820,205)	10,818,972
Plan fiduciary net position - beginning	<u>129,122,268</u>	<u>118,303,296</u>
Plan fiduciary net position - end (b)	<u>\$ 127,302,063</u>	<u>\$ 129,122,268</u>
Board's net pension liability - ending (a)-(b)	<u>\$ 43,625,023</u>	<u>\$ 31,922,601</u>
 Plan fiduciary net position as a percentage of the total pension liability	 74.48%	 80.18%
 Covered employee payroll	 \$ 37,771,701	 \$ 36,473,189
 Net position liability as a percentage of covered employee payroll	 115.50%	 87.52%

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last 2 Fiscal Years

<u>Year Ended December 31</u>	<u>Actuarially Determined Contributions</u>	<u>Contributions in Relation to the Actuarially Determined Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
2015	\$ 4,680,000	\$ 4,709,350	\$ (29,350)	\$ 37,771,701	12.47%
2014	\$ 4,500,000	\$ 7,246,003	\$ (2,746,003)	\$ 37,483,190	19.87%

Notes to Schedule

Validation date	Actuarial determined contribution rate is calculated using a January 1st valuation date as of the beginning of the fiscal year in which contributions are reported.
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Effective amortization period determined based on contribution schedule increasing 4% per year beginning with contribution of \$4,500,000 for 2014.
Remaining amortization period	13.6 years remaining as of January 1, 2015
Asset valuation method	Market value of assets less unrecognized returns beginning with the January 1, 2009 valuation. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.
Investment rate of return	7.50% The net investment return assumption is a long-term estimate derived from historical data, current and recent market expectations, and professional judgment. As part of the analysis, a building block approach was used that reflects inflation expectations and anticipated risk premiums for each portfolio's asset classes, as well as the Plan's target allocation.
Inflation rate	3.25%
Projected salary increases	3.25% - 13.25%, based on years of service
Cost of living adjustments	N/A

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULES OF OPEB FUNDING PROGRESS AND NET OPEB OBLIGATION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded/ AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (millions) (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
1/1/2016	\$ 25,181,083	\$ 32,627,191	\$ 7,446,108	77.2%	\$ 36.80	20.22%
1/1/2015	\$ 25,289,600	\$ 37,349,879	\$ 12,060,279	67.7%	\$ 37.80	31.93%
1/1/2014	\$ 23,647,205	\$ 36,123,818	\$ 12,476,613	65.5%	\$ 36.50	34.21%
1/1/2013	\$ 20,055,130	\$ 47,632,657	\$ 27,577,527	42.1%	\$ 37.00	74.60%
1/1/2012	\$ 15,049,878	\$ 44,693,825	\$ 29,643,947	33.7%	\$ 37.40	79.25%
12/31/2010	\$ 11,875,713	\$ 43,539,055	\$ 31,663,342	28.03%	\$ 36.20	84.41%
12/31/2009	\$ 7,426,358	\$ 41,189,353	\$ 33,762,995	18.03%	\$ 34.10	98.91%
12/31/2008		\$ 41,127,249	\$ 41,127,249	0%	\$ 33.10	124.37%

NET OPEB OBLIGATION (NOO)

Actuarial Valuation Date	Fiscal Year End	Annual Required Contribution (ARC) (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost (a)+(b)+(c) (d)	Annual Contribution Amount (e)	Net Increase (Decrease) in NOO (d)-(e) (f)	NOO as of Valuation Date (g)
11/01/2015	12/31/2015	\$ 2,001,009	\$ (336,766)	\$ 343,900	\$ 2,008,143	\$ 1,949,329	\$ 58,814	\$ (4,431,399)
12/31/2013	12/31/2014	\$ 1,989,582	\$ (337,194)	\$ 332,033	\$ 1,984,421	\$ 1,978,720	\$ 5,701	\$ (4,490,213)
12/31/2012	12/31/2013	\$ 3,641,437	\$ (541,042)	\$ 515,086	\$ 3,615,481	\$ 897,502	\$ 2,717,979	\$ (4,495,914)
12/31/2011	12/31/2012	\$ 3,700,336	\$ (450,553)	\$ 415,691	\$ 3,665,474	\$ 4,871,996	\$ (1,206,522)	\$ (7,213,893)
12/31/2010	12/31/2011	\$ 3,573,518	\$ (366,876)	\$ 328,737	\$ 3,535,379	\$ 4,651,072	\$ (1,115,693)	\$ (6,007,371)
12/31/2009	12/31/2010	\$ 3,633,377	\$ (245,795)	\$ 214,313	\$ 3,601,895	\$ 5,216,314	\$ (1,614,419)	\$ (4,891,679)
12/31/2008	12/31/2009	\$ 4,318,418	\$ 72,976	\$ (62,027)	\$ 4,329,367	\$ 8,579,643	\$ (4,250,276)	\$ (3,277,260)

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year End	Annual Required Contribution	Percentage Contributed
12/31/15	\$ 2,001,009	97.42%
12/31/14	\$ 1,989,582	99.45%
12/31/13	\$ 3,641,437	24.65%
12/31/12	\$ 3,700,336	131.66%
12/31/11	\$ 3,573,518	130.15%
12/31/10	\$ 3,633,377	143.57%
12/31/09	\$ 4,318,418	198.68%
12/31/08	\$ 2,749,554	64.60%

ADDITIONAL INFORMATION

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULE OF LONG-TERM DEBT
For the year ended December 31, 2015

Maturity Date	Series 2007-A Bonds				Series 2009-A Bonds			
	Rate	Principal	Interest	Total	Rate	Principal	Interest	Total
2016	5.000	\$ 1,395,000	\$ 14,027,900	\$ 15,622,900	5.000	\$ 2,165,000	\$ 4,833,681	\$ 6,998,681
2017	5.000	1,675,000	13,946,150	15,621,150	5.000	2,275,000	4,722,681	6,997,681
2018	5.000	1,760,000	13,860,275	15,620,275	5.000	2,390,000	4,606,056	6,996,056
2019	4.000	1,850,000	13,779,275	15,629,275	5.000	2,515,000	4,483,431	6,998,431
2020	5.000	1,930,000	13,694,025	15,624,025	5.000	2,645,000	4,354,431	6,999,431
2021	5.000	2,025,000	13,595,150	15,620,150				
2022	5.000	2,130,000	13,491,275	15,621,275				
2023	5.000	2,235,000	13,382,150	15,617,150				
2024	4.380	2,350,000	13,274,869	15,624,869				
2025	4.380	2,455,000	13,169,759	15,624,759				
2026	4.750	2,565,000	13,061,550	15,626,550				
2027	4.250	2,675,000	12,950,200	15,625,200	4.625	3,700,000	3,295,575	6,995,575
2028	4.250	2,795,000	12,833,963	15,627,963	4.750	3,880,000	3,117,863	6,997,863
2029	4.250	2,915,000	12,712,625	15,627,625	4.750	4,065,000	2,929,169	6,994,169
2030	4.375	14,845,000	12,325,947	27,170,947				
2031	4.375	15,515,000	11,161,822	16,676,822				
2032	4.375	16,215,000	10,967,728	27,182,728	5.125	4,735,000	2,261,572	6,996,572
2033	4.500	16,950,000	10,231,650	27,181,650	5.125	4,985,000	2,012,498	6,997,498
2034	4.500	17,710,000	9,451,799	27,161,799	5.125	5,245,000	1,750,353	6,995,353
2035	4.500	18,530,000	8,636,400	27,166,400	5.250	5,525,000	1,470,919	6,995,919
2036	4.500	19,385,000	7,783,313	27,168,313	5.250	5,825,000	1,172,981	6,997,981
2037	4.500	20,280,000	6,890,850	27,170,850	5.250	6,140,000	858,900	6,998,900
2038	4.500	21,220,000	5,957,100	27,177,100	5.250	6,470,000	527,888	6,997,888
2039	4.500	22,205,000	4,980,036	27,185,036	5.250	6,820,000	179,025	6,999,025
2040	4.500	23,230,000	3,957,750	27,187,750				
2041	4.500	24,305,000	2,888,213	27,193,213				
2042	4.500	25,425,000	1,769,288	27,194,288				
2043	4.500	26,605,000	598,613	27,203,613				
2044								
2045								
Total		313,375,000	275,379,675	588,754,675		69,380,000	42,577,023	111,957,023
Bond (discount) premium		(2,554,200)				605,012		
		\$ 310,820,800				\$ 69,985,012		

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULE OF LONG-TERM DEBT (CONT'D)
For the year ended December 31, 2015

Maturity Date	Series 2009-B Bonds				Series 2009 Subordinate Bonds			
	Rate	Principal	Interest	Total	Rate	Principal	Interest	Total
2016	5.000	6,005,000	1,146,125	7,151,125	3.000	3,840,000	2,211,831	6,051,831
2017	5.000	6,310,000	838,250	7,148,250	4.000	3,960,000	2,096,631	6,056,631
2018	5.000	6,635,000	514,625	7,149,625	3.625	4,110,000	1,938,231	6,048,231
2019	5.000	6,975,000	174,375	7,149,375	3.750	4,265,000	1,789,243	6,054,243
2020					4.000	4,420,000	1,629,306	6,049,306
2021					4.250	4,600,000	1,452,506	6,052,506
2022					5.000	4,795,000	1,257,006	6,052,006
2023					4.375	5,030,000	1,017,256	6,047,256
2024					4.375	5,245,000	797,194	6,042,194
2025					4.500	5,475,000	567,725	6,042,725
2026					4.500	1,625,000	321,350	1,946,350
2027					4.500	1,695,000	248,225	1,943,225
2028					4.750	1,770,000	171,950	1,941,950
2029					4.750	1,850,000	87,875	1,937,875
2030								
2031								
2032								
2033								
2034								
2035								
2036								
2037								
2038								
2039								
2040								
2041								
2042								
2043								
2044								
2045								
Total		<u>25,925,000</u>	<u>2,673,375</u>	<u>28,598,375</u>		<u>52,680,000</u>	<u>15,586,329</u>	<u>68,266,329</u>
Bond (discount) premium		<u>749,278</u>				<u>(31,206)</u>		
		<u>\$ 26,674,278</u>				<u>\$ 52,648,794</u>		

36,975,000	39,542,025	126,517,025	2,605,000	86,621	2,691,621
3,795,695					
\$ 90,770,695			\$ 2,605,000		

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULE OF LONG-TERM DEBT (CONT'D)
For the year ended December 31, 2015

Maturity Date	Series 2011 Bonds				Series 2012-A Bonds			
	Rate	Principal	Interest	Total	Rate	Principal	Interest	Total
2016	3.000	2,560,000	5,964,463	8,524,463	2.000	265,000	1,958,400	2,223,400
2017	4.631	2,655,000	5,864,588	8,519,588	2.000	320,000	1,952,550	2,272,550
2018	4.802	2,785,000	5,736,244	8,521,244	3.000	2,105,000	1,917,775	4,022,775
2019	3.000	2,895,000	5,625,950	8,520,950	4.000	2,180,000	1,842,600	4,022,600
2020	5.000	3,015,000	5,507,150	8,522,150	5.000	2,280,000	1,742,000	4,022,000
2021	4.700	3,165,000	5,357,400	8,522,400	5.000	2,400,000	1,625,000	4,025,000
2022	5.000	3,320,000	5,200,025	8,520,025	5.000	2,520,000	1,502,000	4,022,000
2023	5.000	3,495,000	5,029,650	8,524,650	5.000	2,650,000	1,372,750	4,022,750
2024	4.027	3,655,000	4,868,675	8,523,675	3.000	2,760,000	1,265,100	4,025,100
2025	4.330	3,810,000	4,712,775	8,522,775	3.000	2,840,000	1,181,100	4,021,100
2026	4.316	3,975,000	4,544,694	8,519,694	3.250	2,930,000	1,090,888	4,020,888
2027	5.000	4,165,000	4,354,788	8,519,788	3.500	3,035,000	990,163	4,025,163
2028	4.923	4,380,000	4,142,859	8,522,859	3.500	3,140,000	882,100	4,022,100
2029	4.923	4,600,000	3,921,828	8,521,828	3.500	3,255,000	770,188	4,025,188
2030	4.923	4,835,000	3,689,591	8,524,591	3.500	3,375,000	649,944	4,024,944
2031	4.923	5,075,000	3,445,666	8,520,666	3.750	3,505,000	518,753	4,023,753
2032	4.873	5,330,000	3,190,888	8,520,888	3.875	3,645,000	380,222	4,025,222
2033	4.873	5,600,000	2,924,581	8,524,581	4.000	3,790,000	233,800	4,023,800
2034	4.873	5,875,000	2,645,006	8,520,006	4.000	3,950,000	79,000	4,029,000
2035	4.873	6,170,000	2,351,556	8,521,556				
2036	4.872	6,480,000	2,043,369	8,523,369				
2037	5.000	6,805,000	1,715,375	8,520,375				
2038	5.000	7,155,000	1,366,375	8,521,375				
2039	5.000	7,525,000	999,375	8,524,375				
2040	5.000	7,910,000	613,500	8,523,500				
2041	5.000	8,315,000	207,875	8,522,875				
2042								
2043								
2044								
2045								
Total		<u>125,550,000</u>	<u>96,024,246</u>	<u>221,574,246</u>		<u>50,945,000</u>	<u>21,954,333</u>	<u>72,899,333</u>
Bond (discount) premium		<u>895,212</u>				<u>982,924</u>		
		<u>\$ 126,445,212</u>				<u>\$ 51,927,924</u>		

Maturity Date	Series 2011 Subordinate Bonds				Series 2012 Subordinate Bonds			
	Rate	Principal	Interest	Total	Rate	Principal	Interest	Total
2016	3.100	85,000	52,313	137,313	2.900	55,000	34,148	89,148
2017	3.100	90,000	49,600	139,600	2.900	55,000	32,553	87,553
2018	3.100	90,000	46,810	136,810	2.900	60,000	30,886	90,886
2019	3.100	95,000	43,943	138,943	2.900	60,000	29,146	89,146
2020	3.100	95,000	40,998	135,998	2.900	65,000	27,333	92,333
2021	3.100	100,000	37,975	137,975	2.900	65,000	25,448	90,448
2022	3.100	100,000	34,875	134,875	2.900	65,000	24,505	89,505
2023	3.100	105,000	31,698	136,698	2.900	70,000	22,620	92,620
2024	3.100	110,000	28,365	138,365	2.900	70,000	19,575	89,575
2025	3.100	110,000	24,955	134,955	2.900	70,000	17,545	87,545
2026	3.100	115,000	21,468	136,468	2.900	75,000	15,443	90,443
2027	3.100	120,000	17,825	137,825	2.900	75,000	13,268	88,268
2028	3.100	125,000	14,028	139,028	2.900	80,000	11,020	91,020
2029	3.100	125,000	10,153	135,153	2.900	80,000	8,700	88,700
2030	3.100	130,000	6,200	136,200	2.900	85,000	6,308	91,308
2031	3.100	135,000	2,093	137,093	2.900	85,000	3,842	88,842
2032					2.900	90,000	1,305	91,305
2033								
2034								
2035								
2036								
2037								
2038								
2039								
2040								
2041								
2042								
2043								
2044								
2045								
Total		<u>1,730,000</u>	<u>463,299</u>	<u>2,193,299</u>		<u>1,205,000</u>	<u>323,645</u>	<u>1,528,645</u>
Bond (discount) premium		<u>-</u>				<u>-</u>		
		<u>\$ 1,730,000</u>				<u>\$ 1,205,000</u>		

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULE OF LONG-TERM DEBT (CONT'D)
For the year ended December 31, 2015

Maturity Date	Series 2013-A Bonds				Series 2013-B Bonds			
	Rate	Principal	Interest	Total	Rate	Principal	Interest	Total
2016	2.000	95,000	863,075	958,075	5.000		3,539,250	3,539,250
2017	2.000	95,000	861,175	956,175	5.000		3,539,250	3,539,250
2018	2.000	75,000	859,475	934,475	5.000		3,539,250	3,539,250
2019	3.000	100,000	857,225	957,225	5.000		3,539,250	3,539,250
2020	3.000	100,000	854,225	954,225	5.000		3,539,250	3,539,250
2021	3.000	105,000	851,150	956,150	5.000		3,539,250	3,539,250
2022	3.000	110,000	847,925	957,925	5.000		3,539,250	3,539,250
2023	3.000	110,000	844,625	954,625	5.000		3,539,250	3,539,250
2024	3.000	115,000	841,250	956,250	5.000		3,539,250	3,539,250
2025	3.000	120,000	837,725	957,725	5.000		3,539,250	3,539,250
2026	3.000	120,000	834,125	954,125	5.000		3,539,250	3,539,250
2027	3.000	125,000	830,450	955,450	5.000		3,539,250	3,539,250
2028	3.250	130,000	826,462	956,462	5.000		3,539,250	3,539,250
2029	3.250	135,000	821,987	956,987	5.000		3,539,250	3,539,250
2030	3.250	140,000	817,175	957,175	5.000	3,580,000	3,449,750	7,029,750
2031	3.250	145,000	812,187	957,187	5.000	3,765,000	3,266,125	7,031,125
2032	3.250	150,000	807,025	957,025	5.000	3,955,000	3,073,125	7,028,125
2033	3.500	155,000	801,687	956,687	5.000	4,160,000	2,870,250	7,030,250
2034	3.500	160,000	795,975	955,975	5.000	4,370,000	2,657,000	7,027,000
2035	3.500	165,000	789,881	954,881	5.000	4,595,000	2,432,875	7,027,875
2036	3.500	170,000	783,600	953,600	5.000	4,830,000	2,197,250	7,027,250
2037	3.500	180,000	777,037	957,037	5.000	5,080,000	1,949,500	7,029,500
2038	3.750	5,155,000	677,006	5,832,006	5.000	5,340,000	1,689,000	7,029,000
2039	3.750	125,000	578,006	703,006	5.000	5,615,000	1,415,125	7,030,125
2040	3.750	130,000	573,225	703,225	5.000	5,905,000	1,127,125	7,032,125
2041	3.750	135,000	568,256	703,256	5.000	6,205,000	824,375	7,029,375
2042	3.823	4,430,000	481,050	4,911,050	5.000	6,525,000	506,125	7,031,125
2043	3.786	10,470,000	198,187	10,668,187	5.000	6,860,000	171,500	7,031,500
2044								
2045								
Total		23,245,000	21,291,171	44,536,171		70,785,000	77,178,625	147,963,625
Bond (discount) premium		(749,509)				8,044,638		
		<u>\$ 22,495,491</u>				<u>\$ 78,829,638</u>		

Maturity Date	Series 2013 Subordinate Bonds				Series 2014 Subordinate Bonds			
	Rate	Principal	Interest	Total	Rate	Principal	Interest	Total
2016	2.750	230,000	143,550	373,550	2.450	25,000	11,887	36,887
2017	2.750	240,000	137,088	377,088	2.450	25,000	14,455	39,455
2018	2.750	245,000	130,419	375,419	2.450	25,000	13,842	38,842
2019	2.750	255,000	123,544	378,544	2.450	25,000	13,230	38,230
2020	2.750	260,000	116,462	376,462	2.450	25,000	12,618	37,618
2021	2.750	265,000	109,244	374,244	2.450	25,000	12,006	37,006
2022	2.750	275,000	101,819	376,819	2.450	30,000	11,392	41,392
2023	2.750	280,000	94,188	374,188	2.450	30,000	10,658	40,658
2024	2.750	290,000	86,350	376,350	2.450	30,000	9,922	39,922
2025	2.750	300,000	78,237	378,237	2.450	30,000	9,188	39,188
2026	2.750	305,000	69,919	374,919	2.450	30,000	8,452	38,452
2027	2.750	315,000	61,394	376,394	2.450	30,000	7,718	37,718
2028	2.750	325,000	52,594	377,594	2.450	30,000	6,982	36,982
2029	2.750	330,000	43,588	373,588	2.450	35,000	6,248	41,248
2030	2.750	340,000	34,375	374,375	2.450	35,000	5,390	40,390
2031	2.750	350,000	24,888	374,888		35,000	4,532	39,532
2032	2.750	360,000	15,125	375,125		35,000	3,676	38,676
2033	2.750	370,000	5,087	375,087		35,000	2,818	37,818
2034						40,000	1,960	41,960
2035						40,000	954	40,954
2036								
2037								
2038								
2039								
2040								
2041								
2042								
2043								
2044								
2045								
Total		<u>\$ 3,335,000</u>	<u>1,427,871</u>	<u>\$ 4,762,871</u>		<u>615,000</u>	<u>167,928</u>	<u>\$ 782,928</u>
Bond (discount) premium		<u>-</u>				<u>-</u>		
		<u>\$ 3,335,000</u>				<u>\$ 615,000</u>		

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULE OF LONG-TERM DEBT (CONT'D)
For the year ended December 31, 2015

Maturity Date	Series 2015-A Bonds				Series 2015-B Bonds			
	Rate	Principal	Interest	Total	Rate	Principal	Interest	Total
2016	3.000	450,000	4,880,125	5,330,125	3.000	660,000	3,552,775	4,212,775
2017	3.000	465,000	4,866,400	5,331,400	3.000	685,000	3,532,600	4,217,600
2018	3.000	480,000	4,852,225	5,332,225	3.000	300,000	3,517,825	3,817,825
2019	3.000	495,000	4,837,600	5,332,600	3.000	285,000	3,509,050	3,794,050
2020	3.000	505,000	4,822,600	5,327,600	3.000	735,000	3,493,750	4,228,750
2021	4.000	3,320,000	4,748,625	8,068,625	4.000	830,000	3,466,125	4,296,125
2022	5.000	3,470,000	4,595,475	8,065,475	5.000	860,000	3,428,025	4,288,025
2023	5.000	3,650,000	4,417,475	8,067,475	5.000	910,000	3,383,775	4,293,775
2024	5.000	3,840,000	4,230,225	8,070,225	5.000	955,000	3,337,150	4,292,150
2025	5.000	4,030,000	4,033,475	8,063,475	5.000	985,000	3,288,650	4,273,650
2026	5.000	4,240,000	3,826,725	8,066,725	5.000	1,040,000	3,238,025	4,278,025
2027	3.000	700,000	3,710,225	4,410,225	3.000	995,000	3,197,100	4,192,100
2028	3.000	720,000	3,688,925	4,408,925	3.000	1,035,000	3,166,650	4,201,650
2029	3.125	740,000	3,666,563	4,406,563	3.125	1,080,000	3,134,250	4,214,250
2030	5.000	6,180,000	3,500,500	9,680,500	3.250	1,950,000	3,085,688	5,035,688
2031	5.000	5,660,000	3,204,500	8,864,500	5.000	1,965,000	3,004,875	4,969,875
2032	5.000	2,060,000	3,011,500	5,071,500	5.000	2,205,000	2,900,625	5,105,625
2033	5.000	2,165,000	2,905,875	5,070,875	5.000	2,410,000	2,785,250	5,195,250
2034	5.000	2,275,000	2,794,875	5,069,875	5.000	2,935,000	2,651,625	5,586,625
2035	5.000	6,680,000	2,571,000	9,251,000	5.000	2,930,000	2,505,000	5,435,000
2036	5.000	7,020,000	2,228,500	9,248,500	4.599	3,115,000	2,360,125	5,475,125
2037	5.000	7,385,000	1,868,375	9,253,375	4.600	3,255,000	2,213,563	5,468,563
2038	5.000	2,765,000	1,614,625	4,379,625	4.590	3,400,000	2,060,594	5,460,594
2039	5.000	8,160,000	1,341,500	9,501,500	4.593	3,550,000	1,901,031	5,451,031
2040	5.000	8,575,000	923,125	9,498,125	4.721	5,385,000	1,692,375	7,077,375
2041	5.000	9,015,000	483,375	9,498,375	5.000	5,650,000	1,424,000	7,074,000
2042	5.000	5,160,000	129,000	5,289,000	5.000	5,940,000	1,134,250	7,074,250
2043					5.000	6,245,000	829,625	7,074,625
2044					5.000	6,565,000	509,375	7,074,375
2045					5.000	6,905,000	172,625	7,077,625
Total		100,205,000	87,753,413	187,958,413		75,760,000	78,476,376	154,236,376
Bond (discount) premium		<u>13,933,941</u>				<u>8,206,007</u>		
		<u>\$ 114,138,941</u>				<u>\$ 83,966,007</u>		

Aggregate Debt Service

Maturity Date	Principal	Interest	Total
2016	19,335,000	47,523,347	66,858,347
2017	20,150,000	46,716,194	66,866,194
2018	21,060,000	45,803,651	66,863,651
2019	21,995,000	44,887,575	66,882,575
2020	22,965,000	43,901,611	66,866,611
2021	24,140,000	38,534,092	62,674,092
2022	25,290,000	37,376,410	62,666,410
2023	26,565,000	36,098,558	62,663,558
2024	27,830,000	34,840,138	62,670,138
2025	29,060,000	33,585,772	62,645,772
2026	26,290,000	32,258,952	58,548,952
2027	27,375,000	34,427,869	61,802,869
2028	28,655,000	33,166,584	61,821,584
2029	29,935,000	31,880,330	61,815,330
2030	35,495,000	27,370,868	63,065,868
2031	36,235,000	19,449,283	51,684,283
2032	38,780,000	26,612,791	65,392,791
2033	40,620,000	24,773,496	65,393,496
2034	42,560,000	22,627,593	65,387,593
2035	44,635,000	20,758,585	65,393,585
2036	46,825,000	18,569,138	65,394,138
2037	49,125,000	16,273,600	65,398,600
2038	51,505,000	13,892,588	65,397,588
2039	54,000,000	11,394,098	65,394,098
2040	51,135,000	8,887,100	60,022,100
2041	53,625,000	6,396,094	60,021,094
2042	47,480,000	4,019,713	51,499,713
2043	50,180,000	1,797,925	51,977,925
2044	6,565,000	509,375	7,074,375
2045	<u>6,905,000</u>	<u>172,625</u>	<u>7,077,625</u>
Total	1,006,315,000	760,905,955	1,767,220,955
Bond (discount) premium	<u>33,877,791</u>		
	<u>\$ 1,040,192,791</u>		

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULE OF CHANGES IN UTILITY PLANT ASSETS
For the year ended December 31, 2015

Account Reference		Asset Account			Balance as of December 31, 2015
		Balance as of December 31, 2014	Plant Additions	Plant Retirements	
	Utility plant in service:				
	Land and land rights:				
103110	Reservoirs	\$ 3,280,021	\$ -	-	\$ 3,280,021
103115	Other sources of supply	1,188,285	-	-	1,188,285
103120	Power and pumping	6,455,092	-	-	6,455,092
103125	Purification	2,284,564	-	-	2,284,564
103130	Transmission	227,059	-	-	227,059
103135	Distribution reservoirs and standpipes	734,720	-	-	734,720
103140	Distribution	5,616,882	37	-	5,616,919
103145	General land	1,114,253	-	-	1,114,253
103150	Office	3,807,488	-	-	3,807,488
103155	Stores, shop and garage	744,648	-	-	744,648
103160	Miscellaneous	11,827,011	-	-	11,827,011
	Total land and land rights	37,280,023	37	-	37,280,060
	Structures and improvements:				
103210	Collecting and impounding reservoirs	12,880,565	721,643	-	13,602,208
103215	Lake, river and other intakes	20,689,780	5,914,437	(6,780)	26,597,437
103220	Infiltration galleries and tunnels	182,665	-	-	182,665
103225	Other water sources	1,981,662	-	-	1,981,662
103230	Power and pumping	13,541,322	83,267	(1,116)	13,623,473
103235	Purification building	28,986,229	6,255,813	(265,182)	34,976,860
103240	Distribution reservoirs and standpipes	57,194,801	3,724,549	-	60,919,350
103245	Office	22,269,236	(60,690)	-	22,208,546
103250	Stores, shop and garage	4,596,219	22,962	(1,145)	4,618,036
103255	Miscellaneous	15,448,342	3,400,349	(19,755)	18,828,936
	Total structures and improvements	177,770,821	20,062,330	(293,978)	197,539,173

Accumulated Depreciation				Net Balance
Balance as of December 31, 2014	Depreciation	Retirements	Balance as of December 31, 2015	as of December 31, 2015
\$ -	\$ -	\$ -	\$ -	\$ 3,280,021
-	-	-	-	1,188,285
-	-	-	-	6,455,092
-	-	-	-	2,284,564
-	-	-	-	227,059
-	-	-	-	734,720
-	-	-	-	5,616,919
-	-	-	-	1,114,253
-	-	-	-	3,807,488
-	-	-	-	744,648
-	-	-	-	11,827,011
-	-	-	-	37,280,060
7,696,659	485,817	-	8,182,476	5,419,732
3,787,153	305,249	(4,295)	4,088,107	22,509,330
133,026	753	-	133,779	48,886
436,599	57,530	-	494,129	1,487,533
6,559,986	366,336	(664)	6,925,658	6,697,815
14,759,046	1,125,590	(229,400)	15,655,236	19,321,624
20,900,617	1,385,510	-	22,286,127	38,633,223
10,226,578	636,600	-	10,863,178	11,345,368
2,254,743	150,450	(1,145)	2,404,048	2,213,988
7,092,156	1,151,137	(3,208)	8,240,085	10,588,851
73,846,563	5,664,972	(238,712)	79,272,823	118,266,350

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULE OF CHANGES IN UTILITY PLANT ASSETS (CONT'D)
For the year ended December 31, 2015

		Asset Account			
Account Reference		Balance as of December 31, 2014	Plant Additions	Plant Retirements	Balance as of December 31, 2015
103310	Equipment:				
103315	Boiler	\$ 177,196	\$ -	\$ -	\$ 177,196
103320	Other power production equipment	447,832	-	-	447,832
103323	Steam pumping	423,108	-	-	423,108
103325	Electric pumping	26,800,863	3,709,834	-	30,510,697
103327	Oil engine pumping equipment	24,648	-	-	24,648
103330	Other power pumping	2,330,493	-	-	2,330,493
103332	Purification system	25,894,743	-	(318,632)	25,576,111
103333	Chemical treating plant - sewer	32,010,154	7,183,231	(171,490)	39,021,895
103335	Clean water basins	19,132,298	-	-	19,132,298
103340	Filter plant	127,944,596	1,532,127	(2,132,813)	127,343,910
103345	Softening plant	6,813	-	-	6,813
103350	Transmission mains and accessories	129,439,153	569,494	-	130,008,647
103355	Distribution mains and accessories	271,960,766	23,022,026	-	294,982,792
103360	Services	68,976,811	11,087,562	-	80,064,373
103365	Meters	45,597,181	4,285,546	(159,777)	49,722,950
103370	Hydrants	24,025,149	2,365,277	-	26,390,426
103375	Office furniture and equipment	17,887,356	13,385,478	(202,942)	31,069,892
103380	Transportation	11,642,836	1,413,888	(881,492)	12,175,232
103385	Stores	33,920	-	-	33,920
103387	Shop	198,269	-	-	198,269
103390	Laboratory	2,696,277	(125,409)	(11,019)	2,559,849
103393	Tool and work	11,957,800	482,429	(725,280)	11,714,949
103395	Communication	11,548,209	2,469,852	(394,407)	13,623,654
	Miscellaneous	6,947,061	1,678,141	(32,582)	8,592,620
	Other tangible property	23,339	-	(1,315)	22,024
	Utility plant not in service	-	-	-	-
	Total equipment	<u>838,126,871</u>	<u>73,059,476</u>	<u>(5,031,749)</u>	<u>906,154,598</u>
	Total utility plant in service	1,053,177,715	93,121,843	(5,325,727)	1,140,973,831
	Construction in progress	<u>72,400,705</u>	<u>56,741,354</u>	<u>(87,694,184)</u>	<u>41,447,875</u>
	Total utility plant	<u>\$ 1,125,578,420</u>	<u>\$ 149,863,197</u>	<u>\$ (93,019,911)</u>	<u>\$ 1,182,421,706</u>

Accumulated Depreciation

Balance as of December 31, 2014	Depreciation	Retirements	Balance as of December 31, 2015	Net Balance as of December 31, 2015
\$ 177,196	\$ -	\$ -	\$ 177,196	\$ -
126,506	22,492	-	148,998	298,834
423,108	-	-	423,108	-
15,403,251	917,548	-	16,320,799	14,189,898
20,628	608	-	21,236	3,412
346,217	92,548	-	438,765	1,891,728
8,846,144	555,526	(116,306)	9,285,364	16,290,747
14,046,036	621,510	(89,265)	14,578,281	24,443,614
3,607,297	440,094	-	4,047,391	15,084,907
16,895,128	2,820,698	(2,108,222)	17,607,604	109,736,306
3,938	80	-	4,018	2,795
21,477,468	1,298,675	-	22,776,143	107,232,504
90,649,977	3,939,972	-	94,589,949	200,392,843
14,502,843	1,484,028	-	15,986,871	64,077,502
15,719,126	1,897,557	(121,084)	17,495,599	32,227,351
8,298,699	483,432	-	8,782,131	17,608,295
15,019,738	2,055,396	(202,324)	16,872,810	14,197,082
9,230,180	469,031	(720,405)	8,978,806	3,196,426
32,140	329	-	32,469	1,451
197,276	993	-	198,269	-
2,086,276	102,377	(11,019)	2,177,634	382,215
8,697,954	613,170	(654,744)	8,656,380	3,058,569
10,250,598	468,931	(394,407)	10,325,122	3,298,532
5,104,798	420,091	(28,972)	5,495,917	3,096,703
23,303	36	(1,315)	22,024	-
-	-	-	-	-
<u>261,185,825</u>	<u>18,705,122</u>	<u>(4,448,063)</u>	<u>275,442,884</u>	<u>630,711,714</u>
335,032,388	24,370,094	(4,686,775)	354,715,707	786,258,124
-	-	-	-	41,447,875
<u>\$ 335,032,388</u>	<u>\$ 24,370,094</u>	<u>\$ (4,686,775)</u>	<u>\$ 354,715,707</u>	<u>\$ 827,705,999</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULES OF OPERATING EXPENSES
For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operations:		
Sources of supply other	\$ 1,635,689	\$ 1,710,351
Power and pumping	9,684,218	10,129,905
Purification	10,244,618	10,405,781
Transmission and distribution	9,728,408	10,716,567
Customer's accounting and collection	7,166,586	7,525,413
Administrative and general	38,813,773	24,436,013
Payroll taxes	2,500,326	2,373,698
License fees - Birmingham	1,876,715	1,828,286
License fees - other	<u>2,169,071</u>	<u>2,159,017</u>
Total operations	83,819,404	71,285,031
Maintenance:		
Source of supply	489,335	449,908
Power and pumping	2,316,420	2,052,080
Purification	906,990	888,583
Transmission and distribution	8,508,477	10,593,074
Administrative and general	<u>2,794,955</u>	<u>2,408,970</u>
Total maintenance	<u>15,016,177</u>	<u>16,392,615</u>
Depreciation expense	<u>24,370,095</u>	<u>21,089,739</u>
Total operating expenses	<u>\$ 123,205,676</u>	<u>\$ 108,767,385</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
STATEMENTS OF NONOPERATING REVENUES (EXPENSES)
For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Other income:		
Investment interest income	\$ 2,245,554	\$ 2,560,117
Other interest income	11,218	17,496
Gain (loss) on disposal of property	<u> </u>	<u>(280,005)</u>
Total other income	2,256,772	2,297,608
Interest expense:		
Interest on long-term debt and long-term obligations due To the City of Birmingham, including amortization of accounting loss on advance refunding and original issue discount	(46,992,601)	(43,938,583)
Interest paid on customers' guarantee deposits	<u>(3,321)</u>	<u>(3,565)</u>
Total interest expense	(46,995,922)	(43,942,148)
Total nonoperating revenues (expenses)	<u>\$ (44,739,150)</u>	<u>\$ (41,644,540)</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULE OF AMOUNTS ON DEPOSIT WITH TRUSTEE BY FUND
December 31, 2015

<u>Fund Type</u>	<u>Fair Market Value</u>	<u>Accrued Interest</u>	<u>Carrying Value</u>
Construction funds	\$ 46,020,375	\$ 100,813	\$ 46,121,188
Revenue funds	99,416,548	451,703	99,868,251
Debt service funds	43,237,615	1,312	43,238,927
Debt service reserve funds	64,221,544	367,066	64,588,610
Development, renewal and replacement funds	<u>1,208,742</u>	<u> </u>	<u>1,208,742</u>
	<u>\$ 254,104,824</u>	<u>\$ 920,894</u>	<u>\$ 255,025,718</u>

THE WATER WORKS BOARD OF THE CITY OF BIRMINGHAM
SCHEDULE OF MAJOR INDUSTRIAL/GOVERNMENTAL CUSTOMERS
(UNAUDITED)

For the year ended December 31, 2015

Customer	Revenues	% Total of Operating Revenue
US Steel	\$ 9,749,623	5.91%
University of Alabama at Birmingham	8,993,247	5.45%
Birmingham Housing Authority	6,030,062	3.66%
Brookwood Medical Center	1,896,821	1.15%
Samford University	1,652,830	1.00%
City of Birmingham	1,559,642	0.95%
St. Vincent's Hospital	1,494,052	0.91%
Graysville Water Company	1,431,339	0.87%
Barber's Pure Milk Company	1,397,289	0.85%
Buffalo Rock Co	<u>1,315,157</u>	<u>0.80%</u>
	<u>\$ 35,520,062</u>	<u>21.54%</u>

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

Coverage Period November 1, 2014 to November 1, 2015

Type of Coverage	Policy No.	Deductible	Policy Limits
Property:			
Primary property (TIV - \$520,512,110):	B0621CSSBW0114	\$250,000	\$50,000,000
Dams and structures		250,000	50,000,000
Flood and earthquake		250,000	50,000,000
Equipment breakdown coverage		250,000	50,000,000
Contractors' equipment		10,000	5,625,474
Accounts receivable		500	5,000,000
Contingent business income (named)		24 Hours	10,000,000
Contingent business income (unnamed)			5,000,000
Auto physical damage (No over the road coverage)		5,000	5,000,000
Excess property	NHT389676	50M	(TIV) 470,512,110
Primary Liability:	PEP G24891574 005		
General liability		100,000	10,000,000
Public Officials liability		100,000	10,000,000
Employment practice liability		100,000	10,000,000
Employee benefit liability		100,000	10,000,000
Automobile liability		50,000	10,000,000
Uninsured/Underinsured motorist		50,000	250,000
Hired and non-owned liability		50,000	10,000,000
Excess Liability	1822401	\$10,000,000	\$10,000,000
Pollution	PEC002469902	250,000	5,000,000
Fiduciary	106202793	\$25,000	\$3,000,000
Commercial Crime	106202793		
Employee theft		20,000	1,000,000
Forgery or Alteration		20,000	1,000,000
Inside premises - theft of money/securities		5,000	350,000
Inside premises - robbery/burglary		5,000	350,000
Outside premises		5,000	350,000
Computer fraud		20,000	1,000,000
Funds transfer fraud		20,000	1,000,000
Money orders and counterfeit money		5,000	350,000
Cyber	ASC14B000782	50,000	5,000,000
Excess Cyber	B0621PWAT02714	5,000,000	5,000,000
Specific Excess Worker Compensation and Workers Comp Liability	SP 4051927	500,000	Statutory \$2,000,000

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the business-type activities of the Water Works Board of the City of Birmingham ("the Board"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated June 28, 2016. Our report includes a reference to other auditors who audited the financial statements of the Pension and OPEB Trust Funds as described in our report on the Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Pension and OPEB Trust Funds were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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. We did identify certain deficiencies in internal control, the Board's controls over the financial statement close and reporting processes are not effective, and are indicative of a material weakness. This material weakness resulted in a restatement of previously reported financial statements.



To the Board of Directors of
The Water Works Board of the City of Birmingham
Birmingham, Alabama
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Compliance and Other Matters

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

Purpose of this Report

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

June 28, 2016

Banks, Finley White & Co