

**WATER WORKS AND SEWER BOARD OF THE CITY OF CENTREVILLE  
CENTREVILLE, ALABAMA**

**SEPTEMBER 30, 2024**

**DON WALLACE, CPA, PC  
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**Water Works and Sewer Board of the City of Centreville  
Centreville, Alabama  
Annual Report  
September 30, 2024**

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June 20, 2025

**INDEPENDENT AUDITOR'S REPORT**

The Water Works and Sewer  
Board of the City of Centreville  
1270 Walnut Street  
Centreville, AL 35042

**Opinion**

We have audited the accompanying financial statements of Water Works and Sewer Board of the City of Centreville (the Board), which comprise the statement of financial position as of and for the year ended September 30, 2024, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, as listed in the table of contents.

We do not express an opinion on the financial statements of the Board. Because of the significance of the matter described in the Basis for Disclaimer of Opinion, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Board.

**Basis for Disclaimer of Opinion**

The Board implemented a new accounting information system during the year ended September 30, 2024, which resulted in numerous misstatements in the general ledger, failure to properly allocate payroll and other expenses, related reimbursements and transfers to the City. There were material amounts of penalties incurred for payroll taxes and other expenses. We also noted inconsistencies in application of utility billing in customer accounts, resulting in an undetermined amount of fees and charges that should have been collected during the period. As a result of these matters, we were unable to determine whether any additional adjustments might have been found necessary for the amounts included in the financial statements.

**Responsibilities of Management for the Financial Statements**

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8, Budget Comparison Schedules, and the Schedules of Funding progress be presented to supplement the basic financial. Such information, although not 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. I 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 financial statements, and other knowledge I obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Don Wallace, CPA*

Don Wallace, CPA, PC

#### MEMBER

*American Institute of Certified Public Accountants  
Alabama Society of Certified Public Accountants*

**Water Works and Sewer Board of the City of Centreville**  
**Centreville, Alabama**  
**Annual Report**  
**September 30, 2024**  
**Management's Discussion & Analysis**

This section of Water Works and Sewer Board of the City of Centreville' annual financial report presents our discussion and analysis of the organization's financial performance during the fiscal year that ended September 30, 2024. Please read it in conjunction with the financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The Board's share of Net Pension Liability, net of deferred outflows and inflows, with the Retirement Systems of Alabama was \$289,761 at yearend, increased by \$35,711.
- Net capital assets were \$8,094,731 at yearend. There were \$226,218 in asset additions, compared to \$402,501 in related depreciation charges.
- Outstanding bonds and notes payable were \$4,379,000. Overall debt repayments were \$199,000. Unamortized bond costs were \$65,806 at yearend, while bond premiums associated with 2019 bonds were \$178,051. Income available for debt service of \$254,934 was just 77% of the estimated minimum debt service ratio.
- Decreases in net assets were \$315,938 for the year. A review of customer accounts indicated staff were not consistently following policies related to cutoffs and granting relief from late charges or cutoffs to various accounts that did not appear to be properly authorized. Some of the adjustments involved employees or related parties, or appeared to follow billing errors during the change to new accounting software. Matters have been reviewed with management, with the expectation that policies will be strictly followed to help improve the Board's financial position.
- During review of payroll activity, we noted penalties and interest of \$10,492.55 charged or assessed during the fiscal year. An additional \$5,244.93 in penalties associated with late filing of utility tax payments with the state were incurred between October 2023 and March 2025. The Board was also charged with \$15,347.22 in late fees on its WEX account from October 2023 through January 2025, of which \$1,703.69 were subsequently abated.
- The Board had a decrease in cash flow for the year of \$361,653 as repayment of debt and asset purchases significantly exceeded cash flow from operations.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts: Management's Discussion & Analysis and the Basic Financial Statements. The financial statements also include Notes that explain some of the information in the report and provide further detailed data.

**FINANCIAL ANALYSIS**

<u>Assets</u>	<u>9/30/24</u>	<u>9/30/23</u>
Current	\$ 741,521	\$ 1,076,323
Capital	8,094,731	8,271,014
Other	465,343	453,409
Total Assets	<u>9,301,595</u>	<u>9,800,746</u>
<u>Liabilities</u>		
Current	\$ 401,722	\$ 398,528

**Water Works and Sewer Board of the City of Centreville**  
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**Management's Discussion & Analysis**

Long-Term	4,676,469	4,862,876
Total Liabilities	<u>5,078,191</u>	<u>5,261,404</u>
<u>Net Assets</u>		
Investment in net Capital Assets	3,603,486	3,693,014
Restricted for Debt Service	399,537	382,903
Unrestricted	<u>220,381</u>	<u>463,425</u>
Total Net Assets	<u>4,223,404</u>	<u>4,539,342</u>
Total Liabilities & Net Assets	<u>9,301,595</u>	<u>9,800,746</u>

Total net assets decreased \$315,938, including depreciation/amortization charges of \$407,201.

	<u>9/30/24</u>	<u>9/30/23</u>
<u>Revenues</u>		
Fees from Customers	\$ 1,606,496	\$ 1,694,718
Grant	0	49,423
Other	<u>13,481</u>	<u>11,541</u>
Total Revenues	<u>1,619,977</u>	<u>1,755,682</u>
<u>Expenses</u>		
Operating expenses	1,365,043	1,315,494
Depreciation	402,501	387,354
Interest & actuarial	<u>168,371</u>	<u>109,692</u>
Total Expenses	<u>1,935,915</u>	<u>1,812,540</u>
Change in Net Assets	<u>\$ -315,938</u>	<u>\$ -56,858</u>

Operating revenues dipped 5%, while operating costs increased 4%, with the largest costs for payroll, utilities, system repairs and maintenance and lagoon operations. Actuarial adjustments included an expense charge of \$35,711. Depreciation and amortization totaled \$407,201. Net income available for debt service was below minimum required debt service payments for principal and interest for the year.

**CAPITAL ASSET ADMINISTRATION**

At the end of 2024, the Board had invested \$8,094,731 in capital assets, a net decrease of \$176,283 from the prior year. Capital asset summary for the fiscal year is as follows:

<u>Capital Assets, Net of Depreciation</u>	<u>9/30/24</u>	<u>9/30/23</u>
Land & improvements	\$ 170,354	\$ 206,686
Utility system	7,474,295	7,706,493
Machinery & equipment	<u>450,082</u>	<u>357,835</u>
System capital assets, net	<u>8,094,731</u>	<u>8,271,014</u>

**DEBT ADMINISTRATION**

Long-term debt is comprised of water revenue bonds, state revolving fund and other debts. Bond and related interest activity for the year are shown below.

	<u>10-1-2023</u>	<u>Additions</u>	<u>Repayments</u>	<u>9-30-2024</u>
Bonds/Loans Payable	\$4,578,000	0	199,000	\$4,379,000

Total interest expense recognized was \$127,960, while accrued interest payable was \$57,011.

**Water Works and Sewer Board of the City of Centreville**  
**Centreville, Alabama**  
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**September 30, 2024**  
**Management's Discussion & Analysis**

**BUDGET ANALYSIS**

The Board is required to adopt a budget under State law. A summary of budget versus actual results are as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenue	\$1,728,040	\$1,646,592	\$ -81,448
Operating Expenditures	-1,642,400	-1,767,544	-125,144
Transfers/Other	<u>-61,075</u>	<u>-154,890</u>	<u>-93,815</u>
<b>Net</b>	<b><u>24,565</u></b>	<b><u>-275,842</u></b>	<b><u>-300,407</u></b>

System revenues did not meet budget expectations, while expenses, including depreciation, exceeded budgeted levels. Management is evaluating rates and related revenues in the current fiscal year, as well as trying to reduce expenditures to help meet debt service requirements.

**ECONOMIC FACTORS**

The City of Centreville is located in Bibb County, in the west central portion of Alabama, within commuting distance of Tuscaloosa and Birmingham. The Board is continuing to evaluate demand on its services, improvements and upgrades to the water and sewer system, and its ability to expand water services to new customers and potential growth along the new Highway 82 bypass.

**CONTACTING THE AUTHORITY'S MANAGEMENT**

This financial report is designed to provide our citizens and customers with a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Water Works and Sewer Board of the City of Centreville, 486 Walnut Street, Centreville, AL 35042.

The Management and Board of Directors of the system as of September 30, 2024 was as follows:

Mike Oakley, Mayor and Manager  
Larry Oikle, Superintendent  
Megan Batte, Utility Clerk  
Jerome Chism, Board Chair  
Josh Colburn  
Linda Lawrence  
Beth Downs  
Kent Watkins

(Jimmy Martin replaced Jerome Chism in July 2024. Barry Cooner and Seth Young replaced Beth Downs and Kent Watkins in September 2024)

## **FINANCIAL STATEMENTS**



**Water Works and Sewer Board of the City of Centreville**  
**Centreville, Alabama**  
**Statement of Financial Position**  
**September 30, 2024**

**ASSETS**

Current:		
Cash	\$ 240,058	
Cash, restricted for meter deposits	49,890	
Certificates of deposit	120,042	
Accounts receivable, net	237,452	
Due from City	59,301	
Inventory	<u>34,778</u>	741,521
Fixed:		
Land and improvements	93,309	
Buildings	226,686	
Utility system	15,116,402	
Machinery and vehicles	931,674	
Furniture and equipment	77,380	
Less: Accumulated depreciation	<u>-8,350,720</u>	8,094,731
Other/Restricted:		
Bond issuance costs	65,806	
Bond investments	<u>399,537</u>	<u>465,343</u>
Total assets		<u>9,301,595</u>

**LIABILITIES**

Current:		
Accounts payable	22,362	
Payroll liabilities	14,476	
Due to City	84,320	
Accrued absences	13,553	
Accrued interest	57,011	
Current portion of long-term debt	<u>210,000</u>	401,722
Long-term:		
Renter deposits	39,657	
State revolving loan	640,000	
Bonds payable	2,540,000	
USDA bonds payable	1,199,000	
Less: current portion	-210,000	
Bond premium	178,051	
RSA Pension liability, net	<u>289,761</u>	<u>4,676,469</u>
Total liabilities		<u>5,078,191</u>

**NET ASSETS**

Investment in net capital assets	3,603,486	
Restricted for debt service	399,537	
Unrestricted	<u>220,381</u>	
Total net assets		<u>4,223,404</u>
Total liabilities and net assets		<u>\$ 9,301,595</u>

**Water Works and Sewer Board of the City of Centreville**  
**Centreville, Alabama**  
**Statement of Activities**  
**Year Ended September 30, 2024**

OPERATING REVENUES

Water service fees	\$ 1,227,090	
Sewer service fees	323,644	
Other service fees	35,999	
Other revenues	<u>19,763</u>	
Total operating revenues		1,606,496

OPERATING EXPENSES

Salaries and wages	490,958	
Payroll taxes and retirement	69,054	
Health insurance	153,082	
Utilities	117,932	
System repairs and maintenance	79,603	
Lagoon repairs and operations	29,147	
Materials and supplies	96,107	
Fuel and truck	84,089	
Insurance	30,312	
Legal and accounting	15,410	
Water testing	14,525	
Professional fees	44,147	
Computer & Office	56,489	
Rent - Tractor	12,701	
Telephone	5,231	
Dues & subscriptions	4,126	
Bad debt expense	27,805	
Penalties & interest	25,650	
Other expenses	<u>8,675</u>	
Total operating expenses		<u>1,365,043</u>
Operating income before depreciation		241,453
Depreciation expense		<u>-402,501</u>
Operating income		-161,048

Other items

Interest and other	13,481	
RSA pension expense	-35,711	
Amortization expense	-4,700	
Interest expense	<u>-127,960</u>	<u>-154,890</u>
Change in net assets		-315,938
Beginning net assets		<u>4,539,342</u>
Ending net assets		<u>4,223,404</u>

**Water Works and Sewer Board of the City of Centreville**  
**Centreville, Alabama**  
**Statement of Cash Flows**  
**Year Ended September 30, 2024**

**CASH FLOW FROM OPERATIONS**

Receipts of customer revenue	\$ 1,569,441	
Other receipts	19,763	
Less payments of:		
Personnel costs	-733,435	
Utilities & telephone	-123,163	
System maintenance & operations	-178,074	
Fuel, oil and repairs	-94,832	
Materials & supplies	-96,107	
Professional services	-74,082	
Computer & office	-56,489	
Insurance	-26,980	
Other operating expenses	<u>-23,121</u>	
Net cash from by operating activities		182,921

**CASH FLOW FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES**

Purchase of equipment/system assets	-226,218	
Less payments of:		
Long-term debt interest	-132,837	
Long-term debt principal	<u>-199,000</u>	
Net cash from financing activities		-558,055

**CASH FLOW FROM INVESTING ACTIVITY**

Interest income	13,481
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**CASH FLOW FROM NONCAPITAL FINANCING**

Changes in Due from General Fund	<u>0</u>
Change in cash	-361,653
Beginning cash & CD's	<u>771,643</u>
Ending cash & CD's	<u>409,990</u>

**RECONCILIATION OF OPERATING INCOME TO  
NET CASH FROM OPERATIONS**

Operating income		\$ -161,048
Adjustments for non-cash items:		
Depreciation expense	402,501	
Less changes in operating assets:		
Accounts receivable/bad debt	-30,183	
Prepaid expenses	3,332	
Accounts payable	-29,228	
Payroll liabilities	-3,053	
Customer deposits	<u>600</u>	<u>343,969</u>
Net cash from operating activities		<u>182,921</u>

**Water Works and Sewer Board of the City of Centreville**  
**Centreville, Alabama**  
**Notes to the Financial Statements**  
**September 30, 2024**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist in the users understanding of the Board's financial statements. The financial statements and notes are representations of the Board's management who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of financial statements, as applied to governmental units.

Corporate Structure

The Water Works and Sewer Board of the City of Centreville (the Board) was incorporated on February 3, 1950, under the laws of the State of Alabama, as set forth under the provisions of Title 37, Section 394-402, of the Code of Alabama of 1940. Managerial and financial control is exercised by the Board, which is appointed by the local government. Therefore, it is accounted for as an Enterprise Fund, as well as a separately reported Component Unit of the Town of Centreville.

The Board now serves areas within the City of Centreville, as well as other unincorporated areas inside Bibb County. The operation of the Board involves the maintenance and operation of a water supply and distribution system and sewer treatment facility.

Basis of Accounting

The financial statements of the Board have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. As an Enterprise Fund, it accounts for activities in a manner similar to private business entities.

Inventory – Materials

Inventory of materials and supplies is presented at lower of cost or market, using the first-out method.

Accounts Receivable

Receivables from water customers are based upon rates set by the Board of Directors, which in the case of water, are applied to the amount of water used by the customers. The Board had approximately 2,000 customers as of September 30, 2024. Per review of outstanding customer balances, allowance for doubtful accounts was \$226,421.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Water Works and Sewer Board of the City of Centreville  
Centreville, Alabama  
Notes to the Financial Statements  
September 30, 2024**

Property & Equipment

Land, equipment and the water system are stated at cost or, if donated, fair market value on the date received. Maintenance and repair coats are charged to operation as incurred, while renewals and betterments are capitalized. The costs of assets sold, retired or otherwise dispose of and the related allowance for depreciation is eliminated from the accounts, and any resulting gain or loss is included in operations.

Depreciation is provided for using the straight-line method over the estimated useful lives of the assets, which range as follows:

Utility system	40 years
Automotive equipment	5-7 years
Other equipment	5-10 years
Improvements	15 years
Buildings	39 years

The Board regularly enters into construction and expansion projects that may require more than one accounting period to complete. The costs of those projects are accumulated within the caption "Construction-in-Progress" and reclassified as depreciable additions to the utility system upon their completion.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Board considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. Balances are invested in Cash and CDs, or in bond reserve funds as allowed by state law.

Customer Deposits

The Board charges user fees to connection for services, which are held in separate savings and certificate accounts. Only renter deposits are recognized and old customer deposit liabilities are considered immaterial and removed. As of September 30, 2024, Service fees were \$23,145, and Reconnect/late fees were \$12,854. Renter deposit liability was \$39,657, while restricted cash to cover deposits was \$49,890 at yearend.

Compensated Absences

Employees must be full-time, permanent employees to accrue paid leave. Currently, paid leave is accrued for sick, vacation and personal leave time in the amount of \$13,553.

**NOTE 2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS**

The Board maintains all of its cash deposits in financial institutions that provide FDIC coverage, thereby insuring the deposits that are maintained therein. As of September 30, 2024, the Board had \$809,527 in total deposits; \$405,129 at First US Bank, \$4,861 at First Financial Bank, and \$399,537 with BNY Mellon. All banks are a participant in the Security for Alabama Funds Enhancement Program (SAFE). Under the SAFE program, pledging securities directly to the State Treasurer for the SAFE collateral pool collateralizes funds in excess of \$100,000. Under Section 41-14A of the Code of Alabama, both institutions are a Qualified Public Depository. This Program is mandatory for banks to hold public deposits.

**Water Works and Sewer Board of the City of Centreville**  
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**Notes to the Financial Statements**  
**September 30, 2024**

**NOTE 3: PROPERTY & EQUIPMENT**

Fixed asset activity for the fiscal year ended September 30, 2024:

	10/1/23	Additions	Disposals	9/30/24
Land and improvements	\$ 93,309	\$ 0	\$ 0	\$ 93,309
Building	200,742	25,944	0	226,686
Utility system - Water	7,115,088	106,054	0	7,221,142
Utility system - Sewer	7,895,260	0	0	7,895,260
Machinery & equipment	464,421	0	0	464,421
Autos & trucks	373,033	94,220	0	467,253
Furniture and equipment	<u>77,380</u>	<u>0</u>	<u>0</u>	<u>77,380</u>
Totals, at historical cost	<u>16,219,233</u>	<u>226,218</u>	<u>0</u>	<u>16,445,451</u>
Less: Accumulated depreciation	<u>7,948,219</u>	<u>402,501</u>	<u>0</u>	<u>8,350,720</u>
Net fixed assets	<u>8,271,014</u>	<u>-176,283</u>	<u>0</u>	<u>8,094,731</u>

Increases in fixed assets included two new service trucks, water system and building improvements. Property and related insurance coverage related to property and equipment were sufficient to cover any unexpected loss.

**Water Works and Sewer Board of the City of Centreville**  
**Centreville, Alabama**  
**Notes to the Financial Statements**  
**September 30, 2024**

**NOTE 4: LONG-TERM DEBT**

The Board had the following long-term debt as of September 30:

Series 2019 Bonds Payable – Bank of New York Original issue of \$3,045,000, with interest payable semi-annually on May 1 and Nov 1, with interest from 3-4%, maximum debt service \$229,900	\$2,540,000
State Revolving Fund – ADWFA Original issue of \$1,405,000, less debt forgiveness of \$350,000, with interest payable semi-annually on February 15 and August 15 at 2.25%, maximum debt service of \$67,925	640,000
USDA Bonds Payable – Series 2022 \$1,237,000 Water and Sewer Revenue Bonds with 2.375% interest, principal and interest due annually on January 1. Final payment 1-1-2062	<u>1,199,000</u>
Total bonds and notes	<u>4,379,000</u>

Net activity during the year for bonds payable was as follows:

Balance at 10/1/2023	\$ 4,578,000
Additions (premium)	0
Less: Payments	<u>-199,000</u>
Balance at 9/30/2024	4,379,000
Less: Current portion	<u>-210,000</u>
Long-term debt	<u>4,169,000</u>

**Water Works and Sewer Board of the City of Centreville**  
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**September 30, 2024**

Future expected principal payments are expected to be as follows:

	USDA 2024		
	<u>Revenue Bonds</u>	<u>SRF Loan</u>	<u>Series 2019 Bond</u>
September 30, 2025	20,000	50,000	140,000
September 30, 2026	20,000	55,000	150,000
September 30, 2027	21,000	55,000	150,000
September 30, 2028	21,000	55,000	160,000
September 30, 2029	22,000	55,000	165,000
September 30, 2030	22,000	60,000	170,000
September 30, 2031	23,000	60,000	180,000
September 30, 2032	23,000	60,000	190,000
September 30, 2033	24,000	60,000	190,000
September 30, 2034	24,000	65,000	195,000
September 30, 2035	25,000	65,000	205,000
September 30, 2036	26,000	0	210,000
September 30, 2037	26,000	0	215,000
September 30, 2038	27,000	0	220,000
Thereafter	<u>975,000</u>	<u>0</u>	<u>0</u>
TOTALS	<u>1,199,000</u>	<u>640,000</u>	<u>2,540,000</u>

Interest expense is estimated to be \$125,000-100,000 for the next five years. Interest payments are due monthly and semi-annually as required. Total interest expense for the year was \$127,960 and accrued interest was \$57,011.

Unamortized Loan Costs Asset & Bond Premium

Unamortized bond expenses related to the Series 2019 bonds were valued at \$65,806 at yearend and are shown on the Statement of Financial Position as an Other Asset. Bond Premiums related to the issuance of the 2019 bonds were \$178,051, which will be amortized in future periods against interest expense and are recorded as an Other Long-Term Liability.

Debt Service Ratio

Pursuant to the Series 2019 Bond & SRF Agreements, the Utilities Board must maintain net operating income plus depreciation and interest expense in an amount equal to or greater than maximum debt service. The Board's 2024 adjusted net income of \$254,934 is 77% of the maximum debt service of \$330,000.

The Board is reviewing steps to address collection policies and adjust rates to help maintain proper debt service ratios, including the debt service for the USDA funding.



**Water Works and Sewer Board of the City of Centreville**  
**Centreville, Alabama**  
**Notes to the Financial Statements**  
**September 30, 2024**

**NOTE 5: DUE FROM CITY**

The Board previously made advances or covered expenses for the City's General Fund and special revenue funds in year's past. Total advances considered repayable from the City as of the yearend include:

City General Fund	<u>\$59,301</u>
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Due to past financial constraints the City has been unable to repay funds accrued in the past. Additional steps have been taken by the City to make sure funds expended for City purposes are fully reimbursed or paid directly from the general funds.

**NOTE 6: RETIREMENT PLAN DESCRIPTION**

The Employees' Retirement System of Alabama, an agency multiple-employer plan, was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the ERS is vested in the Board of Control, which consists of 13 trustees. The Plan is administered by the RSA. Title 36-Chapter 27 of the Code of Alabama grants authority to establish and amend the benefit terms of the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 with 10 years or more creditable service or after 25 or 30 years of service, regardless of age, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the retiree receiving payment under the method that yields the highest monthly benefit. Under the Formula method, members are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after 1-1-2013. Tier 2 members are eligible to retire after age 62 with 10 years or more creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the retiree receiving payment under the method that yields the highest monthly benefit. Under the Formula method, Tier 2 members are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

**Water Works and Sewer Board of the City of Centreville**  
**Centreville, Alabama**  
**Notes to the Financial Statements**  
**September 30, 2024**

The ERS serves approximately 1,027 local participating employers. The ERS membership includes approximately 86,811 active participants as of September 30, 2023.

Contributions. Covered members of the ERS contributed 5% of earned compensation until September 30, 2011. From October 2011 through September 2012, covered members were required to contribute 7.25%, with 7.5% thereafter. Certified law enforcement members of the ERS contributed 6% of earned compensation until September 30, 2011. From October 2011 through September 2012, covered members were required to contribute 8.25%, with 8.5% thereafter. Tier 2 covered members contribute 6% by statute, while Tier 2 law enforcement officers contribute 7%.

The ERS establishes rates based upon an actuarially determined rate, necessary to finance the costs of benefits earned during the year, with additional amounts to finance unfunded pension liability, pre-retirement death benefit and administrative costs of The Plan. For the year ended September 30, 2024, the Town's active employee contribution rate was 5-6% of covered payroll, and the Board's average contribution rate to cover normal and accrued liability costs was 10.14%. The Board's contractually required contribution rate for the year was 10.4% for Tier 1 employees. Total employer contributions to the pension plan from the Board were \$36,469, with an additional \$63,943 from the City for total contributions of \$100,412.

**Net Pension Liability**

The Board's net pension liability is consolidated with the City by the RSA, so the following statistical information presents combined data (with allocated balances to the Board noted and based on percentage of payroll for the current period). The Net pension liability was measured on September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2022 rolled forward using standard roll-forward techniques as shown in the following table:

		Expected	Actual Pre-Plan Changes	Actual After Plan Changes
a.	Total Pension Liability (TPL) @ 9-30-22	\$2,787,833	\$2,898,626	\$2,898,626
b.	Discount Rate	7.45%	7.45%	7.45%
c.	Entry Age Normal Cost for FY 2023	95,253	95,253	95,253
d.	Transfers Among Employers	0	0	0
e.	Actual Benefit Pymts & Refunds for FY 2023	<u>-163,863</u>	<u>-163,863</u>	<u>-163,863</u>
f.	TPL as of 9-30-23 = (a*1b)+b-(c*1.05)	\$2,920,813	<u>3,039,860</u>	<u>3,039,860</u>
g.	Difference between Expected & Actual Results		119,047	
h.	Less Liability Transfers		<u>0</u>	
i.	Experience Gain or Loss		<u>119,047</u>	
j.	Difference between Actual TPL before and after plan benefit changes (gain) loss			<u>0</u>

**Water Works and Sewer Board of the City of Centreville**  
**Centreville, Alabama**  
**Notes to the Financial Statements**  
**September 30, 2024**

Changes in Net Pension Liability Table:	Increases (Decreases)		
	<u>TPL</u>	<u>Net Position</u>	<u>NPL</u>
Balances at 9-30-2022	<u>\$2,787,833</u>	<u>\$1,728,897</u>	<u>\$1,058,936</u>
Changes for the year:			
Service Cost	95,253		95,253
Interest	201,590		201,590
Changes in Benefit terms	0		0
Changes in Assumptions	0		0
Difference between expected and actual	119,047		119,047
Contributions – employer		99,345	-99,345
Contributions – employee		67,665	-67,665
Net investment income		224,657	-224,657
Benefit payments, including refunds	-163,863	-163,863	0
Transfers among employers	<u>0</u>	<u>0</u>	<u>0</u>
Net changes	<u>252,027</u>	<u>227,804</u>	<u>24,223</u>
Balances at 9-30-2023	<u>\$3,039,860</u>	<u>\$1,956,701</u>	<u>\$1,083,159</u>

*Discount rate.* The discount rate used to measure the TPL was the long-term rate of return, 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will remain at their current rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS.

*Sensitivity of the NPL to changes in the discount rate.*

	1% decrease (6.45%)	Current % (7.45%)	1% increase (8.45%)
Town's Net Pension Liability (Asset)	\$1,466,549	\$1,083,159	\$762,443

*Pension Plan Fiduciary Net Position.* Detailed information about the plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for FY 2024. The supporting actuarial information is included in the GASB 68 report for the ERS prepared as of September 30, 2023.

**Water Works and Sewer Board of the City of Centreville**  
**Centreville, Alabama**  
**Notes to the Financial Statements**  
**September 30, 2024**

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

For FY 2024, the Board recognized net pension expense of \$72,179, including related RSA pension charges of \$35,711. At 9-30-2024 the City reported overall net pension expense of \$174,837, and overall deferred outflows and deferred inflows related to pensions as follows:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and and actual experience	298,845	116,615
Changes of assumptions	1,293	19,464
Net difference between projected and actual earnings on plan investments	75,711	0
Employer contributions subsequent to the measurement date	<u>100,412</u>	<u>0</u>
Total	<u>476,261</u>	<u>136,079</u>

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

Year ended September 30:	
2025	35,079
2026	55,623
2027	89,854
2028	23,083
2029	27,617
Thereafter	8,514

**Allocation of Net Pension Liability, Deferred Outflows and Deferred Inflows**

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net Pension Liability</u>
Board	\$185,742	\$ 53,071	\$ 422,432
City	<u>290,519</u>	<u>83,008</u>	<u>660,727</u>
Total	<u>476,261</u>	<u>136,079</u>	<u>1,083,159</u>

The City's participation in the RSA system is for the long-term interest of its employees and is therefore reported in the financial statements as a net long-term liability managed by RSA.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**Water Works and Sewer Board of the City of Centreville**  
**Centreville, Alabama**  
**Budget Comparison Schedule**  
**September 30, 2024**

	<u>Budget</u>	<u>Actual</u>
<u>OPERATING REVENUES</u>		
Charges for Services:		
Water	\$1,334,600	1,227,090
Sewer	322,440	323,644
Other charges	64,000	35,999
Other revenues	7,000	19,763
Net Operating Revenues	<u>1,728,040</u>	<u>1,606,496</u>
<u>OPERATING EXPENSES</u>		
Payroll & benefits	537,800	560,012
Group insurance	110,000	153,082
Repairs & maintenance	175,000	94,128
Lagoon maintenance & operations	37,000	29,147
Utilities	110,500	117,932
Insurance	73,000	30,312
Materials & supplies	139,000	96,107
Fuel & truck	74,000	84,089
Office & computer	26,500	56,489
Professional expenses	30,000	44,147
Telephone, internet, pager	20,000	5,231
Legal & accounting	17,000	15,410
Bad debt expense	0	27,805
Dues & training	9,000	4,126
Depreciation	256,100	402,501
Equipment rent	20,000	12,701
Penalties & interest	0	25,650
Other	1,500	8,675
Total Operating Expenses	<u>1,642,400</u>	<u>1,767,544</u>
Operating Income (Loss)	<u>85,640</u>	<u>-161,048</u>
<u>NONOPERATING ITEMS</u>		
Interest and other	0	13,481
RSA actuarial expense	0	-35,711
Amortization expense	0	-4,700
Interest expense	-61,075	-127,960
Nonoperating Items	<u>-61,075</u>	<u>-154,890</u>
Net Income (Loss)	24,565	-315,938
Beginning Net Assets		4,539,342
Ending Net Assets		<u>4,223,404</u>

The accompanying notes are integral of the financial statements.

**Employees' Retirement System of Alabama**  
**Required Supplementary Information**  
**City of Centreville 2296-ECOC**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>										
Service Cost	\$95,253	\$81,406	\$74,895	\$71,547	\$76,897	\$60,448	\$70,566	\$40,690	\$ 50,669	\$52,163
Interest	201,590	189,619	173,491	178,418	149,265	161,674	153,327	168,635	160,438	153,617
Changes of benefit terms	0	2,182	39,988	0	0	0	0	0	0	0
Differences between expected and actual results	119,047	38,558	164,962	-214,441	280,777	-253,404	155,383	-308,345	2,354	0
Changes of assumptions	0	0	-33,369	0	0	9,057	0	184,093	0	0
Benefit payments, including refunds of employee contributions	-163,863	-138,317	-156,748	-129,681	-126,973	-131,079	-324,828	-104,361	-117,656	-123,363
Transfers among employers	0	0	19,656	43,706	0	3,638	-43,612	0	0	0
Net change in pension liability	252,027	173,448	282,875	-50,451	379,966	-149,666	10,836	-19,288	95,805	82,417
Total pension liability, beginning	<u>2,787,833</u>	<u>2,614,385</u>	<u>2,331,510</u>	<u>2,381,961</u>	<u>2,001,995</u>	<u>2,151,661</u>	<u>2,140,825</u>	<u>2,160,113</u>	<u>2,064,308</u>	<u>1,981,891</u>
Total pension liability, ending	<u>\$3,039,860</u>	<u>\$2,787,833</u>	<u>\$2,614,385</u>	<u>\$2,331,510</u>	<u>\$2,381,961</u>	<u>\$2,001,995</u>	<u>\$2,151,661</u>	<u>\$2,140,825</u>	<u>2,160,113</u>	<u>2,064,308</u>
<b>Plan fiduciary net position</b>										
Contributions – employer	\$99,345	\$79,312	\$81,704	\$65,105	\$59,739	\$63,596	\$38,107	\$63,144	\$53,889	\$46,103
Contributions – member	67,665	62,079	40,719	37,640	34,842	34,072	19,995	32,680	34,155	30,056
Net investment income	224,657	-255,306	360,967	87,807	38,666	130,185	178,970	143,929	16,931	158,242
Benefit payments, including ref	-163,863	-138,317	-156,748	-129,681	-126,973	-131,079	-324,828	-104,361	-117,656	-123,363
Transfers among employers	0	0	19,656	43,706	0	3,638	-43,612	0	-23,260	0
Net change in fiduciary position	227,804	-250,232	346,298	104,577	6,274	100,412	-131,368	135,392	-35,941	111,038
Plan net position – beginning	<u>1,728,897</u>	<u>1,979,129</u>	<u>1,632,831</u>	<u>1,528,254</u>	<u>1,521,980</u>	<u>1,421,658</u>	<u>1,552,936</u>	<u>1,417,544</u>	<u>1,453,485</u>	<u>1,342,447</u>
Plan net position – ending	<u>\$1,956,701</u>	<u>\$1,728,897</u>	<u>\$1,979,129</u>	<u>\$1,632,831</u>	<u>\$1,528,254</u>	<u>\$1,521,980</u>	<u>\$1,421,658</u>	<u>\$1,552,936</u>	<u>\$1,417,544</u>	<u>\$1,453,485</u>
<b>NET PENSION LIABILITY</b>	<u>\$1,083,159</u>	<u>\$1,058,936</u>	<u>\$635,256</u>	<u>\$698,679</u>	<u>\$853,707</u>	<u>\$480,015</u>	<u>\$730,093</u>	<u>\$587,889</u>	<u>\$742,569</u>	<u>\$610,823</u>
Plan Position as a Percent of TPL	64.37%	62.02%	75.70%	70.03%	64.16%	76.02%	66.07%	72.54%	65.62%	70.41%
Covered employee payroll	\$875,399	\$918,570	\$800,985	\$706,890	\$604,084	\$651,501	\$514,401	\$625,363	\$444,376	\$576,477
NPL as a % of covered payroll	110%	115%	80%	98%	142%	73.7%	142%	94%	167%	106%

The accompanying notes are integral of the financial statements.

**Employees' Retirement System of Alabama  
Required Supplementary Information  
City of Centreville 2296-ECOC**

<b>SCHEDULE OF EMPLOYER CONTRIBUTIONS</b>										
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined Contribution	\$174,837	\$133,404	\$96,105	\$77,291	\$96,460	\$64,253	\$79,086	\$70,686	\$62,286	\$57,229
Contributions in relation to the actuarially determined contribute	100,412	103,142	87,552	105,020	62,053	90,558	65,508	38,107	63,144	53,889
Contribution Deficiency (Excess)	74,425	30,262	8,553	-27,729	34,407	-26,305	13,578	5,886	1,805	13,548
Covered employee payroll	875,399	875,399	918,570	800,985	706,890	734,874	653,050	514,401	625,363	444,376
Contributions as a percentage of covered payroll	11%	12%	10%	14%	8%	12.3%	10.0%	7%	10%	12%

**NOTES TO SCHEDULE:**

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for FY 2024 were based on the FY 2021 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age
Amortization method	Level percent closed
Remaining amortization period	26 years
Asset valuation method	5-year smoothed market
Inflation	2.5%
Salary increases	3.25-6.0% including inflation
Investment rate of return	7.45%, net of pension investment expense, including inflation



