

THE WATER WORKS AND SEWER BOARD
OF THE CITY OF MONTEVALLO

FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

DeLOACH, BARBER & CASPERS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2020 Hwy 33
Pelham, Alabama 35124
(205) 822-6350

John H. DeLoach, CPA
S. Wayne Barber II, CPA, CGFM, CFE
John E. Caspers, MBA, CPA

Mailing Address
2020 Hwy 33
Pelham, Alabama 35124
Fax: (205) 822-1408
Website: www.dbccpas.com

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Water Works and Sewer Board of the
City of Montevallo

Report on the Financial Statements

We have audited the accompanying financial statements of the Water Works and Sewer Board of the City of Montevallo, a component unit of the City of Montevallo, Alabama, as of and for the year ended September 30, 2015, and the related notes to the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Water Works and Sewer Board of the City of Montevallo, as of September 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require supplementary information (pages 42-43) 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

THE WATER WORKS AND SEWER BOARD
OF THE CITY OF MONTEVALLO

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Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information (page 45) and additional information (pages 47-50) is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information and additional information 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 January 22, 2016, on our consideration of the Water Works and Sewer Board of the City of Montevillo'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 Water Works and Sewer Board of the City of Montevillo's internal control over financial reporting and compliance.

DeLoach, Barber & Caspers, P. C.

January 22, 2016

THE WATER WORKS AND SEWER BOARD
OF THE CITY OF MONTEVALLO

STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

ASSETS

Current Assets

Nonrestricted Assets:

Cash and cash equivalents	\$ 1,913,764
Accounts receivable, net of allowance for doubtful accounts of \$278,462	484,980
Interest receivable	252
Inventory	57,433
Prepaid expenses	27,418

Restricted Assets:

Cash - customer deposits	609,204
Cash - bond funds	839,509
Cash - capital reserve funds	<u>1,533,558</u>

Total Current Assets 5,466,118

Noncurrent Assets

Capital Assets, at cost:

Automotive equipment	318,635
Buildings and building improvements	354,148
Computer equipment	70,392
Land	347,115
Machinery and equipment	386,872
Office furniture and equipment	39,939
Sewer system and lines	15,673,444
Water system and lines	<u>10,175,473</u>

27,366,018

Allowance for depreciation (7,973,015)

Capital Assets - Net 19,393,003

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources

Deferred amounts from refunding of debt, net of accumulated amortization	173,729
Deferred outflows - Pension	<u>66,750</u>

Total Deferred Outflows of Resources 240,479

Total Assets and Deferred Outflows of Resources \$ 25,099,600

The accompanying notes are an integral part of these statements.

THE WATER WORKS AND SEWER BOARD
OF THE CITY OF MONTEVALLO

STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

LIABILITIES

Current Liabilities

Current portion of revenue bonds payable	\$ 682,000
Accounts payable	43,465
Utility tax payable	14,115
Payroll taxes payable	2,908
Accrued salaries and compensated absences	44,404
<u>Current Liabilities (Payable from Restricted Assets)</u>	
Customer deposits	292,967
Interest payable	<u>49,924</u>
 Total Current Liabilities	 <u>1,129,783</u>

Noncurrent Liabilities

Unfunded OPEB obligation	12,674
Revenue bonds payable, net	12,268,363
Net pension obligation	<u>656,746</u>
 Total Noncurrent Liabilities	 <u>12,937,783</u>

Total Liabilities 14,067,566

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources

Deferred Inflows - Pension	<u>44,470</u>
 Total Deferred Inflows of Resources	 <u>44,470</u>

Total Liabilities and Deferred Inflows of Resources 14,112,036

NET POSITION

Net Position

Invested in capital assets, net of related debt	6,442,641
Restricted for:	
Customer deposits	316,237
Debt service	789,585
Capital improvements and extension	1,533,558
Unrestricted	<u>1,905,543</u>

Total Net Position \$ 10,987,564

The accompanying notes are an integral part of these statements.

THE WATER WORKS AND SEWER BOARD
OF THE CITY OF MONTEVALLO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Operating Revenues

Commercial and residential water sales	\$ 1,898,299
Commercial and residential sewer sales	1,096,951
Service charges and other fees - water	160,442
Service charges and other fees - sewer	25,956
Miscellaneous income	<u>787</u>
 Total Operating Revenues	 <u>3,182,435</u>

Operating Expenses

Water	1,232,590
Sewer	1,054,153
Joint costs	<u>238,665</u>
 Total Operating Expenses	 <u>2,525,408</u>

Operating Income 657,027

Non-Operating Revenues (Expenses)

Interest income	7,603
Loss of sale of assets	(2,496)
Interest expense	<u>(418,103)</u>

Total Non-Operating Revenues (Expenses) (412,996)

Change in Net Position 244,031

Net Position - Beginning of Year 10,743,533

Net Position - End of Year \$ 10,987,564

The accompanying notes are an integral part of these statements.

THE WATER WORKS AND SEWER BOARD
OF THE CITY OF MONTEVALLO

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

<u>Cash Flows From Operating Activities</u>	
Receipts from customers and users	\$ 3,161,065
Payments to suppliers	(1,031,158)
Payments to employees and payroll related items	<u>(790,197)</u>
Net cash provided by operating activities	<u>1,339,710</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Payments for capital acquisitions	(60,493)
Principal payments on long-term debt	(667,000)
Interest payments on long-term debt	<u>(406,559)</u>
Net cash used by capital and related financing activities	<u>(1,134,052)</u>
<u>Cash Flows From Investing Activities</u>	
Interest received	<u>7,660</u>
Net cash provided by investing activities	<u>7,660</u>
Net increase in cash equivalents	213,318
Cash and equivalents, beginning of year (restricted and nonrestricted)	<u>4,682,717</u>
Cash and equivalents, end of year (restricted and nonrestricted)	\$ <u>4,896,035</u>

(Continued)

The accompanying notes are an integral part of these statements.