



**Alabama Water Pollution  
Control Authority**

**COMPONENT UNIT FINANCIAL STATEMENTS**

**September 30, 2023**



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## **INDEPENDENT AUDITOR’S REPORT**

Board of Directors  
Alabama Water Pollution Control Authority  
Montgomery, Alabama

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the business-type activities and the major funds of Alabama Water Pollution Control Authority (the “Authority”), a component unit of the State of Alabama, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major funds of the Authority, as of September 30, 2023, 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.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

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

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who

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

### ***Supplementary Information***

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama  
February 5, 2024

## Management's Discussion and Analysis

The Alabama Water Pollution Control Authority (the Authority) was established in 1987 to provide a self-perpetuating source of low interest loans for the construction of public wastewater treatment and transport facilities needed to meet water quality standards and provide capacity for future growth. The Authority is operated by the Alabama Department of Environmental Management (ADEM) who serves as agent for the Authority. The following discussion provides an overview of the financial position and results of operation for the Authority as of September 30, 2023. For more detailed information, please refer to the financial statements including the Notes to the Financial Statements.

### ***Overview of the Financial Statements***

The Authority operates as a Proprietary Fund and presents the following financial statements: Statement of Net Position, Statement of Activities, Statement of Net Position - Proprietary Funds, Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds, and Statement of Cash Flows - Proprietary Funds. The statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is received or expended. Investments are reported at fair market value or amortized cost.

The Proprietary Fund statements provide financial information about the Authority which ADEM operates like a business.

Statement of Net Position - Proprietary Funds - Includes all assets, deferred outflows, and liabilities of the Authority and provides a snapshot of the financial position of the Authority at the end of the fiscal year. Assets plus deferred outflows less liabilities results in net position that are restricted and used in assuring the perpetuation of the Authority. Net position are comprised primarily of loans receivable that are not obligated to a bond issue and cash or short term investments pledged to loans that are in the process of closing.

Statement of Changes in Net Position - Proprietary Funds - Reports all additions and deductions for the fiscal year. Additions are primarily comprised of loan interest and investment income and federal awards. Deductions are mainly bond interest expense and administrative expenses. Additions minus deductions provide the change in restricted net position for the fiscal year. The change in restricted net position plus the beginning restricted net position results in the restricted net position available for the perpetuation of the Authority.

The Notes to Financial Statements include organizational description, a summary of significant accounting policies, information on cash and investments, loans receivable, payables to municipalities, long term debt, and related parties, among others.

## Management's Discussion and Analysis

### COMPARATIVE SUMMARY STATEMENTS

#### Statement of Net Position

<i>September 30,</i>	<b>2023</b>	2022	Variance	% increase (decrease)
<b>Assets</b>				
Cash and cash equivalents	\$ 57,494,085	\$ 17,960,744	\$ 39,533,341	220%
Receivables	518,864,252	472,874,004	45,990,248	10%
Investments	174,228,290	218,520,669	(44,292,379)	-20%
Unamortized items	14,781,767	7,029,579	7,752,188	110%
Capital assets	2,405	835	1,570	188%
<b>Total assets</b>	<b>765,370,799</b>	716,385,831	48,984,968	7%
<b>Liabilities</b>				
Accrued liabilities	215,917	225,378	(9,461)	-4%
Payable to municipalities	151,258,908	135,799,097	15,459,811	11%
<b>Total liabilities</b>	<b>151,474,825</b>	136,024,475	15,450,350	11%
<b>Net position, restricted</b>	<b>\$ 613,895,974</b>	\$ 580,361,356	\$ 33,534,618	6%

#### Statement of Activities

<i>For the years ended September 30,</i>	<b>2023</b>	2022	Variance	% increase (decrease)
Operating revenue	\$ 19,265,287	\$ 16,174,297	\$ 3,090,990	19.1%
Operating expense	9,906,333	8,703,122	1,203,211	14%
Operating income	9,358,954	7,471,175	1,887,779	25%
Non-operating revenue	24,175,664	10,103,861	14,071,803	139%
<b>Change in net position</b>	<b>\$ 33,534,618</b>	\$ 17,575,036	\$ 15,959,582	91%



## Management's Discussion and Analysis

### **Statement of Cash Flows**

<i>For the years ended September 30,</i>	<b>2023</b>	2022	Variance	% increase (decrease)
Net cash provided by (used in) operating activities	<b>\$ (21,891,921)</b>	\$ (12,483,373)	\$ (9,408,548)	75%
Net cash provided by (used in) non-capital and related financing activities	<b>61,428,357</b>	5,598,144	55,830,213	997%
Cash flows from capital and related financing activities	<b>(3,095)</b>	-	(3,095)	-100%
Net increase (decrease) in cash and cash equivalents	<b>\$ 39,533,341</b>	\$ (6,885,229)	\$ 46,418,570	-674%

### **Financial Highlights**

- The Authority closed 7 new loans totaling \$81,067,425.
- Net position increased \$33,534,618 mainly due to the utilization of \$17,643,125 in federal funds transferred to loan recipients and the increase in the fair value of investments totaling \$6,103,611.

## Management's Discussion and Analysis

<i>September 30,</i>	<b>2022</b>	2021	Variance	% increase (decrease)
<b>Assets</b>				
Cash and cash equivalents	\$ 17,960,744	\$ 24,845,973	\$ (6,885,229)	-28%
Receivables	472,874,004	455,743,360	17,130,644	4%
Investments	218,520,669	214,431,710	4,088,959	2%
Unamortized items	7,029,579	6,695,875	333,704	5%
Capital assets	835	2,676	(1,841)	-69%
<b>Total assets</b>	<b>716,385,831</b>	701,719,594	14,666,237	2%
<b>Liabilities</b>				
Accrued liabilities	225,378	635,933	(410,555)	-65%
Payable to municipalities	135,799,097	138,297,341	(2,498,244)	-2%
<b>Total liabilities</b>	<b>136,024,475</b>	138,933,274	(2,908,799)	-2%
<b>Net position, restricted</b>	<b>\$ 580,361,356</b>	\$ 562,786,320	\$ 17,575,036	3%

### **Statement of Activities**

<i>For the years ended September 30,</i>	<b>2022</b>	2021	Variance	% increase (decrease)
Operating revenue	\$ 16,174,297	\$ 15,573,679	\$ 600,618	3.9%
Operating expense	8,703,122	7,789,130	913,992	12%
Operating income	7,471,175	7,784,549	(313,374)	-4%
Non-operating revenue	10,103,861	6,965,767	3,138,094	45%
<b>Change in net position</b>	<b>\$ 17,575,036</b>	\$ 14,750,316	\$ 2,824,720	19%

### **Statement of Cash Flows**

<i>For the years ended September 30,</i>	<b>2022</b>	2021	Variance	% increase (decrease)
Net cash provided by (used in) operating activities	\$ (12,483,373)	\$ (14,953,435)	\$ 2,470,062	-17%
Net cash provided by (used in) non-capital and related financing activities	5,598,144	22,690,498	(17,092,354)	-75%
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ (6,885,229)</b>	\$ 7,737,063	\$ (14,622,292)	-189%

## Management's Discussion and Analysis

### ***Financial Highlights***

- The Authority closed 7 new loans totaling \$57,697,050.
- Net position increased \$2,824,720 mainly due to the utilization of \$24,531,445 in federal funds transferred to loan recipients and the decrease in the fair value of investments totaling \$15,606,654.

**Alabama Water Pollution Control Authority**  
**Statement of Net Position**

<i>September 30, 2023</i>	Business-type Activities
<b>Assets</b>	
Current assets	
Cash and cash equivalents - restricted	\$ 57,494,085
Accrued interest receivable on investments - restricted	105,075
Accrued interest on loans receivable	1,333,729
Current portion of loans receivable	29,386,177
Grants and other receivables	35,322
Prepaid rent	166,282
Total current assets	88,520,670
Noncurrent assets	
Investments - restricted	174,228,290
Loans receivable, less unamortized premium of \$4,623,698	488,003,949
Principal forgiveness	10,911,090
Prepaid rent	3,704,395
Capital assets, net	2,405
Total noncurrent assets	676,850,129
Total assets	765,370,799
<b>Liabilities</b>	
Current liabilities	
Accounts payable	4,243
Escheated bonds	55,000
Due to Alabama Department of Environmental Management (ADEM)	156,674
Total current liabilities	215,917
Noncurrent liabilities	
Payables to municipalities	151,258,908
Total noncurrent liabilities	151,258,908
Total liabilities	151,474,825
<b>Net Position</b>	
Net investment in capital assets	2,405
Restricted for loans and debt service	613,893,569
Total net position	\$ 613,895,974

*The accompanying notes are an integral part of these financial statements.*

**Alabama Water Pollution Control Authority**  
**Statement of Activities**

<i>For the year ended September 30, 2023</i>		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Business-type Activities
Business-type Activities				
Water Pollution loans	\$ 11,800,288	\$ 6,117,693	\$ 19,966,008	\$ 14,283,413
		General Revenues		
			Investment earnings	19,251,205
			Change in net position	33,534,618
			Net position, beginning of year	580,361,356
			Net position, end of year	\$ 613,895,974

*The accompanying notes are an integral part of these financial statements.*

**Alabama Water Pollution Control Authority**  
**Statement of Net Position - Proprietary Funds**

<i>September 30, 2023</i>	Business-type Activities - Enterprise Funds		
	Loan Fund	Loan Fee Fund	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents - restricted	\$ 52,781,154	\$ 4,712,931	\$ 57,494,085
Accrued interest receivable on investments - restricted	105,075	-	105,075
Accrued interest on loans receivable	1,333,729	-	1,333,729
Current portion of loans receivable	29,386,177	-	29,386,177
Grants and other receivables	35,322	-	35,322
Prepaid expense	-	166,282	166,282
<b>Total current assets</b>	<b>83,641,457</b>	<b>4,879,213</b>	<b>88,520,670</b>
Noncurrent assets			
Investments - restricted	174,228,290	-	174,228,290
Loans receivable, less unamortized premium of \$4,623,698	488,003,949	-	488,003,949
Principal forgiveness	10,911,090	-	10,911,090
Prepaid expense	-	3,704,395	3,704,395
Capital assets, net	-	2,405	2,405
<b>Total noncurrent assets</b>	<b>673,143,329</b>	<b>3,706,800</b>	<b>676,850,129</b>
<b>Total assets</b>	<b>756,784,786</b>	<b>8,586,013</b>	<b>765,370,799</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	-	4,243	4,243
Escheated bonds	55,000	-	55,000
Due to ADEM	-	156,674	156,674
<b>Total current liabilities</b>	<b>55,000</b>	<b>160,917</b>	<b>215,917</b>
Noncurrent liabilities			
Payables to municipalities	151,258,908	-	151,258,908
<b>Total noncurrent liabilities</b>	<b>151,258,908</b>	<b>-</b>	<b>151,258,908</b>
<b>Total liabilities</b>	<b>151,313,908</b>	<b>160,917</b>	<b>151,474,825</b>
<b>Net Position</b>			
Net investment in capital assets	-	2,405	2,405
Restricted for loans and debt service	605,470,878	8,422,691	613,893,569
<b>Total net position</b>	<b>\$ 605,470,878</b>	<b>\$ 8,425,096</b>	<b>\$ 613,895,974</b>

*The accompanying notes are an integral part of these financial statements.*

**Alabama Water Pollution Control Authority**  
**Statement of Revenues, Expenses, and Changes in Net Position -**  
**Proprietary Funds**

<i>For the year ended September 30, 2023</i>	Business-type Activities - Enterprise Funds		
	Loan Fund	Loan Fee Fund	Total
<b>Operating Revenues</b>			
Investment earnings	\$ 2,030,771	\$ -	\$ 2,030,771
Interest from loans receivable	11,116,823	-	11,116,823
Administrative fees	-	6,117,693	6,117,693
<b>Total operating revenues</b>	<b>13,147,594</b>	<b>6,117,693</b>	<b>19,265,287</b>
<b>Operating Expenses</b>			
Administration expenses	6,416,075	1,968,132	8,384,207
Rental expense	-	166,282	166,282
Depreciation	-	1,525	1,525
Office expense	-	10,770	10,770
Other expenses	-	1,335,754	1,335,754
Travel	-	7,795	7,795
<b>Total operating expenses</b>	<b>6,416,075</b>	<b>3,490,258</b>	<b>9,906,333</b>
<b>Operating income</b>	<b>6,731,519</b>	<b>2,627,435</b>	<b>9,358,954</b>
<b>Nonoperating Revenues (Expenses)</b>			
Federal grant revenue	17,643,125	-	17,643,125
Principal forgiveness expense	(1,893,955)	-	(1,893,955)
State revenue	2,322,883	-	2,322,883
Intra fund transfer	2,500,000	(2,500,000)	-
Net increase in the fair value of investments	6,103,611	-	6,103,611
<b>Total nonoperating revenues (expenses)</b>	<b>26,675,664</b>	<b>(2,500,000)</b>	<b>24,175,664</b>
<b>Change in net position</b>	<b>33,407,183</b>	<b>127,435</b>	<b>33,534,618</b>
<b>Net position, beginning of year</b>	<b>572,063,695</b>	<b>8,297,661</b>	<b>580,361,356</b>
<b>Net position, end of year</b>	<b>\$ 605,470,878</b>	<b>\$ 8,425,096</b>	<b>\$ 613,895,974</b>

*The accompanying notes are an integral part of these financial statements.*

**Alabama Water Pollution Control Authority**  
**Statement of Cash Flows - Proprietary Funds**

<i>For the year ended September 30, 2023</i>	Business-type Activities - Enterprise Funds		
	Loan Fund	Loan Fee Fund	Total
<b>Operating Activities</b>			
Investment earnings	\$ 2,110,521	\$ -	\$ 2,110,521
Receipts of payments from municipalities	25,340,951	-	25,340,951
Payments to vendors	-	(3,164,681)	(3,164,681)
Interest received on loans receivable	10,960,874	-	10,960,874
Administration fees	(6,416,075)	6,117,693	(298,382)
Payments to municipalities	(56,673,973)	-	(56,673,973)
Payments paid to ADEM	-	(167,231)	(167,231)
Net cash provided by (used in) operating activities	(24,677,702)	2,785,781	(21,891,921)
<b>Non-capital and Related Financing Activities</b>			
Grant revenue received	17,643,125	-	17,643,125
Payments to municipalities - Principal forgiveness	(8,933,641)	-	(8,933,641)
State revenue	2,322,883	-	2,322,883
Proceeds from investment securities, net	50,395,990	-	50,395,990
Transfers in (out)	2,500,000	(2,500,000)	-
Net cash provided by (used in) non-capital and related financing activities	63,928,357	(2,500,000)	61,428,357
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Purchase of capital assets	-	(3,095)	(3,095)
Net increase (decrease) in cash and cash equivalents - restricted	39,250,655	282,686	39,533,341
Cash and cash equivalents - restricted, beginning of year	13,530,499	4,430,245	17,960,744
Cash and cash equivalents - restricted, end of year	\$ 52,781,154	\$ 4,712,931	\$ 57,494,085

(Continued)

*The accompanying notes are an integral part of these financial statements.*



**Alabama Water Pollution Control Authority**  
**Statement of Cash Flows - Proprietary Funds (Continued)**

<i>For the year ended September 30, 2023</i>	Business-type Activities - Enterprise Funds		
	Loan Fund	Loan Fee Fund	Total
<b>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities</b>			
Operating income	\$ 6,731,519	\$ 2,627,435	\$ 9,358,954
Adjustments to reconcile operating income to cash provided by (used in) operating activities			
Loan premium amortization	(928,716)	-	(928,716)
Depreciation	-	1,525	1,525
(Increase) decrease in operating assets			
Due from municipality	(35,225)	-	(35,225)
Accrued interest receivable on investments - restricted	79,750	-	79,750
Accrued interest receivable on loans receivable	(106,017)	-	(106,017)
Loans receivable	(45,878,824)	-	(45,878,824)
Prepaid expense	-	166,282	166,282
Increase (decrease) in operating liabilities			
Payables to municipalities	15,459,811	-	15,459,811
Accounts payable	-	1,096	1,096
Due to ADEM	-	(10,557)	(10,557)
<b>Total adjustments</b>	<b>(31,409,221)</b>	<b>158,346</b>	<b>(31,250,875)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (24,677,702)</b>	<b>\$ 2,785,781</b>	<b>\$ (21,891,921)</b>

*The accompanying notes are an integral part of these financial statements.*

## Alabama Water Pollution Control Authority Notes to Financial Statements

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Alabama Water Pollution Control Authority (the "Authority") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the Authority's financial statements.

#### ***Reporting Entity***

The Authority, a component unit of the State of Alabama, was created by the State of Alabama's Legislature in 1989 to issue revolving loan bonds and lend the bond proceeds to eligible municipalities at below market interest rates to pay for the construction of wastewater treatment and collection facilities. The Water Quality Act of 1987 (Clean Water Act) requires the implementation of a State Revolving Fund (SRF) program to accept the federal capitalization grants and the required 20% state matching funds which are provided by the Federal and State governments. The Alabama Department of Environmental Management (ADEM) is the agency designated by the State of Alabama to administer the revolving loan program.

The Authority does not have any full time employees. Instead, ADEM charges the Authority for time spent on revolving loan program activities by employees of ADEM, and the Authority reimburses ADEM for such costs. The charges include the salaries and benefits of the employees, as well as indirect costs allocated to the Authority based on direct salary costs. Employees charging time to the Authority are covered by the benefits of ADEM.

#### ***Authority-wide and Fund Financial Statements***

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues are classified into two categories: charges for services and operating grants and contributions. Charges for services refer to direct recovery from customers for services rendered. Grants and contributions refer to revenues restricted for specific programs whose use may be restricted further to operational or capital items. The general revenues section displays revenue collected that helps support all functions of government and contribute to the change in the net position for the fiscal year. Revenues that are not classified as program revenues are presented as general revenues.

The fund financial statements follow and report additional and detailed information about operations for the proprietary funds individually.

#### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

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

The Authority is reported as a proprietary fund. The Authority's proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's

## Alabama Water Pollution Control Authority Notes to Financial Statements

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

principal ongoing operations. Operating revenues and expenses of the Authority general result from providing loans to Alabama municipalities to finance water and sewer system upgrades. The principal operating revenues of the Authority are comprised of investment earnings, administrative fees, and interest income from loans. Operating expenses consist primarily of administrative salaries, other expenses, and interest expense on bonds. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### ***Budgetary Information***

Under the Alabama Constitution, money may only be drawn from the Treasury by a legal appropriation. However, the Authority operates under a continuous appropriation because the funding of the matching funds approved by the voters contains its own appropriation authority. Therefore, the Authority's operations are not included in the State's annual budget.

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

##### ***Cash and Cash Equivalents***

The Authority's cash and cash equivalents are considered highly liquid investments with a maturity of 90 days or less when acquired. Included in the cash equivalents are money market funds held by the State Treasurer. Money market funds are held by a counterparty or by its trust department but not in the Authority's name

##### ***Investments***

Investments are reported at fair value or amortized cost. All investment income, including changes in the fair value of investments, is recognized in the statement of revenues, expenses, and changes in net position. The Authority has adopted a formal written investment policy. However, as disclosed in Note 2, investments and underlying collateral are limited to U.S. Government Securities and AAA- rated investments.

##### ***Loans Receivable, Payables to Municipalities and Loan Premium***

The Authority issues loans to eligible municipalities or their agencies through the purchase of the municipalities' revenue or general obligation bonds or warrants with the loan disbursements being made as the municipalities' construction expenditures are incurred. The loans to municipalities are in excess of the expenditures made by the Authority. The excess of these loans receivables over the payments to municipalities is classified as a loan premium. This loan premium, which allows the Authority to recover certain costs associated with the loan, is amortized into income on the interest method over the life of the loan. The stated interest rates for these loans range from 1.99% to 3.50% and the effective interest rates range from 1.99% to 4.52%. The loans are typically repaid over a twenty-year period. The stated interest rates for loans bound prior to October 1, 2018 include a 0.75% fee charged to municipalities for administrative costs. The stated interest rates for loans bound on or subsequent to October 1, 2018 include a 2.10% fee charged to municipalities for administrative costs with the exception of two municipality loans that closed on November 1, 2018, which were already being processed as of October 1, 2018.

Payables to municipalities represent amounts committed by the Authority to fund qualifying projects conducted by the municipalities.

## Alabama Water Pollution Control Authority Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (continued)*

##### *Loans Receivable, Payables to Municipalities and Loan Premium (continued)*

No provision for uncollectible accounts has been made, as all loans are current, and Management believes that all loans will be repaid according to the loan terms.

##### *Restricted Assets*

Under each bond indenture, certain funds and bank accounts are required to be established and controlled by a trustee. The accounts of the trust funds are maintained on the cash receipts and disbursements basis and are adjusted for financial statement purposes to reflect accrued receivables and payables. Additional restricted assets are held by the State of Alabama on behalf of the Authority until the disbursement of the assets to municipalities occurs.

##### *Prepaid Rent*

In 2008, the Authority paid \$6,485,000 in prepaid rent to the State of Alabama for the use of newly renovated laboratory facilities. This amount is amortized to rental expense over a period of 39 years, the estimated life of the associated building, or \$166,282, annually. Amortization expense recognized during the year ended September 30, 2023 was \$166,282.

##### *Capital Assets*

Capital assets are recorded at cost and are being depreciated over their estimated useful lives. The estimated useful life of the Authority's capital assets is three years. Depreciation is calculated using the straight-line method. The Authority maintains a capitalization threshold of five hundred dollars. The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized.

##### *Classification of Net Position*

The Authority's net position is divided into two components:

- *Net investment in capital assets* – This component of net position consists of the historical cost of capital assets, net of accumulated depreciation, and is reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should also be included in this component of net position.
- *Restricted* – This component of net position consists of assets that are restricted by debt covenants, contributors, contractual provisions, or enabling legislation, reduced by liabilities related to those assets. The Authority's restricted net position as reported in the statement of net position consists of cash and investments which are restricted for loans and debt service.

##### *Revenues and Expenses*

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are interest earnings on loans and investments. Due to the nature of the

## Alabama Water Pollution Control Authority Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Revenues and Expenses (continued)***

Authority's business, obtaining and making loans, interest which is typically nonoperating is deemed to be operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### ***Administrative Fees***

The sole source of administrative fees is a fee charged to municipalities on the principal amount of the loan made to the municipalities by the Authority, net of bank and trustee fees. The administrative fee is .75% for loans bound prior to October 1, 2018 and 2.10% for loans bound on or subsequent to October 1, 2018 with the exception of two municipality loans that closed on November 1, 2018 which were already being processed as of October 1, 2018. These two loans have an administrative fee of .75%.

#### ***Grant Revenue***

Grants received are recognized as nonoperating revenues in the accounting period in which they are earned and become measurable. The federal capitalization grant is awarded in the form of a letter of credit. Funds are drawn from the federal capitalization grant only after the originating expenditure to the municipality has been approved. Since expenditure is the primary factor for determining eligibility, revenue is recognized when the funds are expended.

The State appropriation is awarded to the Authority by the State legislature each year. In accordance with federal law, the appropriation must be at least 20% of the federal capitalization grant. The State's appropriation is not expended upon receipt; therefore, the State's appropriation is deferred upon receipt and recognized as revenue as a constant percentage of each federal grant draw. Such percentage is dependent on the actual appropriation (see Note 3).

#### ***Interfund Transfers***

The Authority has the ability to transfer and receive funds from the Drinking Water State Revolving Fund and ADEM.

#### ***Concentration of Credit Risk***

All of the loans to municipalities represent receivables from municipalities located in the State of Alabama.

#### ***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make various estimates. Actual results could differ from those estimates.

#### ***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 5, 2024, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

## Alabama Water Pollution Control Authority Notes to Financial Statements

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### ***Recently Issued and Implemented Accounting Pronouncements***

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. There were no significant impacts of implementing this Statement.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. There were no significant impacts of implementing this Statement.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. There were no significant impacts of implementing this Statement.

## Alabama Water Pollution Control Authority Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Recently Issued and Implemented Accounting Pronouncements (Continued)***

The GASB has issued statements that will become effective in future years. These statements are as follows:

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement seeks to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to the determination of the PPP term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the LIBOR is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement No. 53 to refer to resource flows statements.

The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement No. 53 and Statement No. 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

## Alabama Water Pollution Control Authority Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Recently Issued and Implemented Accounting Pronouncements (Continued)*

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement established accounting and financial reporting for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. The Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statement of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

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

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

### Note 2: DETAILED NOTES

#### *Deposits and Investments*

As of September 30, 2023, cash consisted of non-interest bearing deposits held by the State Treasurer and financial institutions in the name of the Authority. The Authority's deposits were



## Alabama Water Pollution Control Authority Notes to Financial Statements

### Note 2: DETAILED NOTES

#### *Deposits and Investments (continued)*

entirely covered by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in Section 41-14A of the Code of Alabama 1975, as amended. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

*Custodial credit risk* – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The financial institutions in which the Authority places its deposits are certified as “qualified public depositories,” as required under the SAFE program. For an investment, this is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority has U.S. Government securities (bonds and notes) totaling \$174,228,290 held in trust by either the Bank of New York or U.S. Bank in a fiduciary capacity. These securities are bond reserve funds and are held under a trust agreement between the Authority and the trustee bank for the benefit of the bondholder and are not deemed to have significant custodial credit risk. The securities are approved by bond insurers and are held in the name of the Trustee for the bond issue for the benefit of bondholder.

*Interest Rate Risk* – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The fair value of fixed-maturity investments fluctuates in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those instruments. The fair value of interest sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, and other general market conditions. Certain fixed maturity investments have call provisions that could result in shorter maturity periods. However, the Authority's intent is to hold all securities to maturity, and as such, fixed maturity investments are classified as held to maturity. Investments are classified in the following table as if they were held to maturity.

*Credit Risk* – Section 150: *Investments* of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations. The bond indenture agreements authorize the Authority to invest in “eligible investments.” “Eligible investments” are defined as (a) any debt securities that are direct, general obligations of the United States of America; (b) any debt securities where the payment of the principal and of interest on which is unconditionally guaranteed by the United States of America; and (c) repurchase agreements collateralized by securities of the type described in the preceding clauses (a) and (b) above with any commercial bank, of such broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank if such broker/dealer or bank has an uninsured, unsecured, and unguaranteed obligation rated “Prime-1” or “A-3” or better by Moody's Investors Service, Inc. and “A-1” or “A-” or better by Standard & Poor's Corporation. All of the investments and cash equivalents held by the Authority for the year ended September 30, 2023 are collateralized by U.S. Government securities rated AAA.

**Alabama Water Pollution Control Authority**  
**Notes to Financial Statements**

**Note 2: DETAILED NOTES (Continued)**

***Deposits and Investments (continued)***

*Concentration Risk* – Section 150: *Investments* of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S government, investments in mutual funds, external investments pools and other pooled investments. As of September 30, 2023, the Authority did not hold investments with any issuers that comprised 5% or more of total investment holdings, other than the U.S. Treasury.

The ratings of total holdings are as follows at September 30, 2023:

Moody's Ratings	Recorded Amount	Recorded Amount as a Percent of Total Holdings Value
Exempt from disclosure	\$ 174,228,290	75.19%
Aaa	57,494,085	24.81%
	<b>\$ 231,722,375</b>	<b>100.00%</b>

Investment holdings that are exempt from disclosure consist of U.S. Treasury bonds and notes held by financial institutions.

*Fair Value* – GASB Codification Section 3100: *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the codification are described as follows:

- Level 1 (L1): Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.
- Level 2 (L2): Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets or liabilities in inactive markets;
  - inputs other than quoted prices that are observable for the asset or liability;
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 (L3): Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**Alabama Water Pollution Control Authority**  
**Notes to Financial Statements**

**Note 2: DETAILED NOTES (Continued)**

***Deposits and Investments (continued)***

The following table sets forth by level, within the fair value hierarchy, the Authority's assets at fair value as of September 30, 2023:

	Fair Value	Maturities (in years)			Level
		Less than 3	3-6	More than 6	
Investments:					
U.S. Treasury Bonds/Notes	\$ 174,228,290	\$ 174,228,290	\$ -	\$ -	L2
Total investments	174,228,290	\$ 174,228,290	\$ -	\$ -	
Cash equivalents:					
Money Market Funds	57,494,085	N/A	N/A	N/A	
Total holdings	\$ 231,722,375				

***Loans Receivable***

Loans receivable at September 30, 2023, as discussed below, are as follows:

Completed projects	\$ 260,430,000
Projects in progress	261,583,824
	522,013,824
Less:	
Current portion loans receivable	29,386,177
Unamortized Premium	4,623,698
	\$ 488,003,949

Loans mature at various intervals. The schedule of principal payments on loans maturing in subsequent years as follows:

2024	\$ 29,386,177
2025	29,631,177
2026	30,181,177
2027	30,521,176
2028 and thereafter	402,294,118
	\$ 522,013,825

**Alabama Water Pollution Control Authority**  
**Notes to Financial Statements**

**Note 2: DETAILED NOTES (Continued)**

***Loans Receivable (continued)***

As of September 30, 2023, the Authority's ten largest outstanding loans, in the aggregate, exceeded \$257 million. The outstanding balances of these loans represent approximately 49% of the total loans receivable, as follows:

Loan Recipient	Outstanding Balance
Mobile CWSRF Master Plan Phase I (2019-2023) Supplemental	\$ 39,360,000
Mobile W&SB Commissioner CWSRF Master Plan Phase 1 (SUPP) (MAWSS)	36,845,000
Mobile Master Plan CWSRF Wastewater Projects (Supplemental)	33,065,000
Dothan Omussee Creek WWTP Improvements	28,710,000
Mobile CWSRF Master Plan Phase I (2019-2023)	28,270,000
Mobile Upgrades and Various Sewer Rehabilitation	24,880,000
Calera Wastewater Treatment System Improvements	20,040,000
Anniston (SUPPL) Choccolocco Creek WWTP Biosolids Improvements and	16,560,000
Tuscaloosa Sanitary Sewer Improvements	16,150,000
Mobile Various Sanitary Sewer System Improvements	13,940,000
Total	\$ 257,820,000

***Capital Assets, Net***

Capital assets, net consist of the following depreciable assets:

	Balance 9/30/22	Additions	Deletions	Balance 9/30/23
Data processing equipment	\$ 46,992	\$ 3,095	\$ 15,949	\$ <b>34,138</b>
Scientific and technical equipment	623,377	-	63,298	<b>560,079</b>
Communication equipment	78,625	-	-	<b>78,625</b>
Other equipment	79,042	-	15,584	<b>63,458</b>
	828,036	3,095	94,831	<b>736,300</b>
Less: accumulated depreciation	827,201	1,525	94,831	<b>733,895</b>
Total capital assets, net	\$ 835	\$ 1,570	\$ -	\$ <b>2,405</b>

***Payables to Municipalities***

As of September 30, 2023, the authority had \$151,258,908 in payables to municipalities. These payables represent loans on projects in progress at year end. Loan funds are advanced as work is completed on each project.

## Alabama Water Pollution Control Authority Notes to Financial Statements

### Note 2: DETAILED NOTES (Continued)

#### *Principal Forgiveness*

Beginning in fiscal year 2009, the capitalization funds provided to ADEM from the EPA required the recipient (ADEM) to use a portion of the funds provided by the grant to provide additional subsidization in the form of principal forgiveness, negative interest rate loans, or grants.

The required principal forgiveness portions are set as a certain percent of total grant funds awarded and is outlined in the grant agreements and uniform guidance compliance supplements. Required percentages vary depending on the issuance year of the grant awards. The principal forgiveness amount was allocated amongst qualifying projects for the municipalities. This amount is recognized as a receivable on the statement of net assets at the time a loan is issued and is included in the total amount payable to municipalities. Principal forgiveness is stated separately from the associated loans receivable as it is not required to be repaid by the municipalities. As the work is completed on these projects and the loan funds are advanced to the municipalities, a percentage of the total principal forgiveness amount is expensed in relation to the total amount paid to the respective municipalities. Principal forgiveness expense recognized during the year ended September 30, 2023 totaled \$1,893,955, leaving a remaining balance of \$10,911,090 capitalized as principal forgiveness on the statement of net position as of September 30, 2023.

### Note 3: APPROPRIATIONS

The U.S. Environmental Protection Agency (EPA) awards ADEM capitalization funds under its annual grant agreement. During the year ended September 30, 2023, the EPA awarded ADEM a grant in the amount of \$1,767,500 under the Sewer Overflow and Stormwater Reuse Municipal Grant Program. Grant had a budget and project period beginning March 1, 2023. During the year ended September 30, 2023, the State of Alabama appropriated funds in the amount of \$2,322,883 from the State General Fund to the Authority to use as state matching funds.

The federal capitalizing grants require a state appropriation of at least 20% of the awarded federal capitalization grant. In the absence of such an appropriation, the EPA allows the required match to be satisfied by using a portion of the proceeds from the revolving fund loan bonds. The Authority has chosen to use bond proceeds as the required match for the capitalizing grants. The Authority has also recognized as income only the percentage of State match actually received in relation to the federal grant drawn.

The amount of unused federal capitalization grants was approximately \$17,139,907 at September 30, 2023. The Authority will apply for a federal capitalization grant in 2024. Any grants in 2024 and subsequent years are subject to approval on a yearly basis.

**Alabama Water Pollution Control Authority**  
**Notes to Financial Statements**

**Note 3: APPROPRIATIONS (Continued)**

The following summarizes the capitalization grant awarded, amounts drawn on each grant, and balances available for future loans as of September 30, 2023:

Year	Grant Amount	Draws prior to 2023	<b>2023 Draws</b>	Total Draws	Amount Available for Future Draws
2020 - SS	\$ 68,000	\$ -	\$ <b>68,000</b>	\$ 68,000	\$ -
2021 - CS	17,767,000	17,477,949	<b>289,051</b>	17,767,000	-
2022 - CS	12,938,000	-	<b>12,748,895</b>	12,748,895	189,105
2022 - 4C	19,901,000	-	<b>5,762,698</b>	5,762,698	14,138,302
2022 - 4X	1,045,000	-	-	-	1,045,000
2023 - SO	1,767,500	-	-	-	1,767,500
	<u>\$ 53,486,500</u>	<u>\$ 17,477,949</u>	<u><b>18,868,644</b></u>	<u>\$ 36,346,593</u>	<u>\$ 17,139,907</u>
Less:					
	Administrative and set-aside expenses		<u><b>(1,225,519)</b></u>		
<b>Total 2023 Draws</b>			<u><u><b>\$ 17,643,125</b></u></u>		

**Note 4: ARBITRAGE REBATE CALCULATIONS**

In accordance with Internal Revenue Code, Section 148, and related regulations as the issuer of tax-exempt debt, the Authority performed an arbitrage calculation during the year ended 2023 and determined there is no rebate due to the Internal Revenue Service at September 30, 2023.

**Note 5: RELATED PARTIES**

ADEM acts as an agent for the Authority and is authorized to administer the revolving loan fund program in accordance with applicable federal and state laws.

The Authority does not maintain any employees of their own. Salary expense on the Loan Fee Fund is related to services provided by the employees of ADEM, which is allocated to the Authority. As the Authority has no employees, no liability for pension costs or other post-employment benefits is recognized by the Authority.

The director of ADEM is the vice president of the Authority. ADEM receives a portion of the federal capitalization grants as reimbursement for administrative costs.

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

Board of Directors  
Alabama Water Pollution Control Authority  
Montgomery, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the Alabama Water Pollution Control Authority (the “Authority”), a component unit of the State of Alabama, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated February 5, 2024.

***Report on Internal Control over Financial Reporting***

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

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

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

***Report on Compliance and Other Matters***

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

***Purpose of this Report***

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

*Carr, Riggs & Ingram, L.L.C.*  
CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama  
February 5, 2024



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Alabama Water Pollution Control Authority  
Montgomery, Alabama

***Report on Compliance for Each Major Federal Program***

***Opinion on Each Major Federal Program***

We have audited Alabama Water Pollution Control Authority's (the "Authority") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended September 30, 2023. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2023.

***Basis for Opinion on Each Major Federal Program***

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

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

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of

compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

February 5, 2024

**Alabama Water Pollution Control Authority  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2023**

**Section I - Summary of Auditor's Results**

**Financial Statements**

- |  |            |
|--|------------|
| 1. Type of auditor's report issued   | Unmodified |
| 2. Internal control over financial reporting:                                    |            |
| a. Material weaknesses identified?   | No         |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements noted?                     | No         |

**Federal Awards**

- |  |            |
|--|------------|
| 1. Type of auditor's report issued on compliance for major programs  | Unmodified |
| 2. Internal control over major programs:   |            |
| a. Material weaknesses identified?   | No         |
| b. Significant deficiencies identified not considered to be material weaknesses?                             | None noted |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? | None noted |

4. Identification of major programs

AL Number	Federal Program
66.458	Capitalization Grants for Clean Water State Revolving Funds Cluster

- |  |           |
|--|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs | \$750,000 |
| 6. Auditee qualified as low-risk under 2CFR 200.520                        | Yes       |

**Section II – Financial Statements Findings**

No matters were reported.

**Section III – Federal Award Findings and Questioned Costs**

No matters were reported.

**Alabama Water Pollution Control Authority  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2023**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Grant or Pass-Through Grantor No.	Funds Provided to Subrecipients	Expenditures
<b>Environmental Protection Agency</b>				
Passed through the Alabama Department of Environmental Management				
Capitalization Grants for Clean Water State Revolving Funds	66.458	SS01D171-20	\$ 68,000	\$ 68,000
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS010001-22	11,812,427	11,812,427
Capitalization Grants for Clean Water State Revolving Funds	66.458	4C02D367-22	5,762,698	5,762,698
<b>Total Clean Water State Revolving Fund Cluster</b>			<b>\$ 17,643,125</b>	<b>17,643,125</b>
<b>Total Federal Expenditures</b>				<b>\$ 17,643,125</b>

## **Alabama Water Pollution Control Authority**

### **Notes to the Schedule of Expenditures of Federal Awards**

#### **Note 1: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes the federal expenditures of the Authority under programs of the federal government for the year ended September 30, 2023. The amounts reported as federal expenditures were obtained from the Authority's trial balance. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position and cash flows of the Authority.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass-through entities. Payments received for goods or services provided as a vendor do not constitute federal awards for purposes of the schedule. The Authority has obtained Assistance Listing (AL) numbers to ensure that all programs have been identified in the Schedule. Federal programs with different AL numbers that are closely related because they share common compliance requirements are defined as a cluster by the Uniform Guidance. One cluster is separately identified in the Schedule and is the following:

#### **Clean Water State Revolving Fund Cluster**

This cluster includes awards that enable States to encourage construction of wastewater treatment facilities to meet enforceable requirements of the Clean Water Act, increase the emphasis on nonpoint source pollution control and protection of estuaries, and establish permanent financing institutions in each State to provide continuing sources of financing to maintain water quality.

#### **Note 2: RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS**

The amounts reflected in the financial reports submitted to the awarding Federal, State and/or pass-through agencies and the Schedule may differ. Some of the factors that may account for any difference include the following:

- The Authority's fiscal year end may differ from the program's year end.
- Accruals recognized in the Schedule, because of year-end procedures, may not be reported in the program financial reports until the next program reporting period.
- Fixed asset purchases and the resultant depreciation charges are recognized as fixed assets in the Authority's financial statements and as expenditures in the program financial reports.

#### **Note 3: FEDERAL PASS-THROUGH FUNDS**

The Authority is the sub-recipient of federal funds that have been subjected to testing and are reported as expenditures and listed as federal pass-through funds.

#### **Note 4: BASIS OF ACCOUNTING**

This Schedule was prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred. In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous

## **Alabama Water Pollution Control Authority**

### **Notes to the Schedule of Expenditures of Federal Awards**

#### **Note 4: BASIS OF ACCOUNTING (Continued)**

individual programs are used as guidance. There are, however, essentially two types of such revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Authority; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e., revocable only for failure to comply with prescribed compliance requirements, such as with equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criteria.

#### **Note 5: CONTINGENCIES**

Grant monies received and disbursed by the Authority are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Authority does not believe that such disallowance, if any, would have a material effect on the financial position of the Authority. As of September 30, 2023, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

#### **Note 6: INDIRECT COST**

The Authority operates under predetermined fixed indirect cost rates that are effective through September 30, 2023. The base rate for indirect cost recoveries is 37.44% for the year ended September 30, 2023.

#### **Note 7: NONCASH ASSISTANCE**

The Authority did not receive any federal noncash assistance for the fiscal year ended September 30, 2023.

#### **Note 8: DE MINIMUS**

The Authority has elected to not use the 10% de minimis indirect cost rate for the fiscal year ended September 30, 2023.

#### **Note 9: SUBRECIPIENTS**

The Authority provided federal funds to subrecipients totaling \$17,643,125 for the fiscal year ended September 30, 2023.

#### **Note 10: LOANS AND LOAN GUARANTEES**

The Authority did not have any loans or loan guarantee programs required to be reported on the Schedule.

**Alabama Water Pollution Control Authority**  
**Notes to the Schedule of Expenditures of Federal Awards**

**Note 11: FEDERALLY FUNDED INSURANCE**

The Authority did not have any federally funded insurance required to be reported on the Schedule for the fiscal year ended September 30, 2023.



**Alabama Water Pollution Control Authority  
Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2023**

There were no audit findings reported in the prior year



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February 5, 2024

The Board of Directors and Management of  
Alabama Water Pollution Control Authority  
Montgomery, Alabama

We are pleased to present the results of our audit of the September 30, 2023 financial statements of the Alabama Water Pollution Control Authority (the "Authority"), a component unit of the State of Alabama.

This report to the Board of Directors and management summarizes our audit, the reports issued and various analyses and observations related to the Authority's accounting and reporting. The document also contains the communications required by our professional standards.

Our audit was designed, primarily, to express an opinion on the Authority's September 30, 2023 financial statements. We considered the Authority's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of the Authority's personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate this opportunity to meet with you. If you have any questions or comments, please call me at 334-347-0088.

Very truly yours,

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC  
Enterprise, Alabama



As discussed with management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the Authority. Specifically, we planned and performed our audit to:

- Perform audit services, as requested by the Board of Directors and management, 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, in order to express an opinion on the Authority's financial statements for the year ending September 30, 2023.
- 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*; and Uniform Guidance 2 CFR Part 200 in order to express an opinion on compliance with requirements applicable to each major federal program.
- Report on internal control over compliance with the types of compliance requirements described in Uniform Guidance 2 CFR Part 200 and the OMB Compliance Supplement;
- Communicate directly with the Board of Directors and management regarding the results of our procedures;
- Address with the Board of Directors and management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the Board of Directors and management; and
- Address other audit-related projects as they arise and upon request.



We have audited the financial statements of Alabama Water Pollution Control Authority for the year ended September 30, 2023, and have issued our report thereon dated February 5, 2024. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Auditor's responsibility under Generally Accepted Auditing Standards, Government Auditing Standards and Uniform Guidance</b></p>	<p>As stated in our engagement letter dated November 29, 2023, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p> <p>Our audit also consisted of issuing reports regarding the Authority's internal control, in accordance with Government Auditing Standards, and compliance with certain compliance requirements as it relates to the Authority's major federal program, in accordance with Title 2 U.S. <i>Code of Federal Regulations</i> (CFR) Part (200), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.</p>
<p><b>Client's responsibility</b></p>	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p> <p>Management is responsible for overseeing nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.</p>



MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Planned scope and timing of the audit</b></p>	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>
<p><b>Management judgments and accounting estimates</b>  <i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditor's conclusion regarding the reasonableness of those estimates.</i></p>	<p>Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."</p>
<p><b>Potential effect on the financial statements of any significant risks and exposures</b>  <i>Major risks and exposures facing the Authority and how they are disclosed.</i></p>	<p>No such risks or exposures were noted.</p>
<p><b>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditor's judgment about the quality of accounting principles</b></p> <ul style="list-style-type: none"> <li>• <i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</i></li> <li>• <i>The auditor should also discuss the auditor's judgment about the quality, not just the acceptability, of the Authority's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures.</i></li> <li>• <i>Critical accounting policies and practices applied by the Authority in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;</i></li> </ul>	<p>The significant accounting policies used by the Authority are described in Note 2 to the financial statements. New accounting policies were adopted during the fiscal year as a result of the following recently issued accounting pronouncements:</p> <ul style="list-style-type: none"> <li>• GASB Statement No. 91, <i>Conduit Debt Obligations</i> (GASB 91)</li> <li>• GASB Statement No. 94, <i>Public-Private and Public-Public Partnership and Availability Payment Arrangements</i> (GASB 94)</li> <li>• GASB Statement No. 96, <i>Subscription-Based Information Technology Arrangements</i> (GASB 96)</li> </ul> <p>The primary objectives of GASB 91 are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.</p> <p>The objective of GASB 94 is to improve financial</p>



MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<ul style="list-style-type: none"> <li>• <i>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.</i></li> </ul>	<p>reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.</p> <p>GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, <i>Leases</i>, as amended.</p> <p>The adoption of GASB 91, 94 and 96 had no significant impact on the financial statements.</p>



MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
	<p>We noted no transactions entered into by the Authority during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.</p> <p>Further, the financial statement disclosures are neutral, consistent, and clear.</p>
<p><b>Significant difficulties encountered in the audit</b>  <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	<p>We encountered no significant difficulties in dealing with management in performing and completing our audit.</p>
<p><b>Disagreements with management</b>  <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial accounting, reporting, or auditing matter, that could be significant to the financial statements or the auditor's report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>	<p>We are pleased to report that no such disagreements arose during the course of our audit.</p>
<p><b>Other findings or issues</b>  <i>Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.</i></p>	<p>None noted.</p>
<p><b>Matters arising from the audit that were discussed with, or the subject of correspondence with, management</b>  <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	<p>None noted.</p>
<p><b>Corrected and uncorrected misstatements</b>  <i>All significant audit adjustments arising from the audit, whether or not recorded by the Authority, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform</i></p>	<p>See "Summary of Audit Adjustments" section.</p>



MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><i>the Board of Directors about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p>	
<p><b>Major issues discussed with management prior to retention</b>  <i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	<p>Discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.</p>
<p><b>Consultations with other accountants</b>  <i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	<p>To our knowledge, there were no such consultations with other accountants.</p>
<p><b>Written representations</b>  <i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	<p>See "Management Representation Letter" section.</p>
<p><b>Internal control deficiencies</b>  <i>Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditor's attention during the audit.</i></p>	<p>See "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 <i>Government Auditing Standards</i>" included with the financial statements and dated February 5, 2024.</p> <p>Please see the "Schedule of Findings and Questioned Costs".</p>
<p><b>Fraud and illegal acts</b>  <i>Fraud involving senior management or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditor's attention involving senior management and any other illegal acts, unless clearly inconsequential.</i></p>	<p>We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.</p>





MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Other information in documents containing audited financial statements</b>  <i>The external auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> <li>• Such information is materially inconsistent with the financial statements; and</li> <li>• We believe such information represents a material misstatement of fact.</li> </ul> <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>
<p><b>Significant unusual accounting transactions</b>  <i>Auditor communication with governance to include auditor's views on policies and practices management used, as well as the auditor's understanding of the business purpose.</i></p>	<p>No significant unusual accounting transactions were noted during the year.</p>
<p><b>Required Supplementary Information</b>  <i>The auditor's responsibility for required supplementary information accompanying the financial statements, as well as any procedures performed and the results.</i></p>	<p>We applied certain limited procedures to the required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding 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 we obtained during our audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.</p>
<p><b>Supplementary Information in relation to the financial statements as a whole</b>  <i>The auditor's responsibility for supplementary information accompanying the financial statements, as well as any procedures performed and the results.</i></p>	<p>We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.</p>

## Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality



We are required to communicate our judgments about the quality, not just the acceptability, of the Authority's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The Board of Directors may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITOR'S CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Cash	The Authority maintains its cash balances in high quality financial institutions. All of the Authority's deposits are insured and collateralized by the Federal Deposit Insurance Corporation ("FDIC") and the Security for Alabama Funds Enhancement ("SAFE") Program operated by the office of the Treasurer of the State of Alabama as authorized by Section 41-14A of the Code of Alabama 1975, as amended	X	No significant judgments or estimates.	The Authority's policy is in accordance with all applicable accounting guidelines.
Depreciation of Property and Equipment	The Authority depreciates property and equipment using the straight-line method.	X	The Authority depreciates property and equipment over their estimated useful lives which are based on the experience with similar assets and guidance provided by ASC 360.	The Authority's recognition methods and disclosures appear appropriate.

**Accounting Policies, Judgments and Sensitive Estimates & CRI**  
**Comments on Quality**



AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITOR'S CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Investments	The Authority follows the provisions of Section 150: Investments, of the GASB Codification when reporting investments.	X	The Authority relies on investment valuation information from the bank or investment manager based upon financial market information to determine current or fair value.	The Authority's policies are in accordance with all applicable guidelines and GASB.
Revenue Recognition	The Authority recognizes revenues when earned, and in FY 2023 primarily consist of federal grants and interest from loan receivables.	X	Judgments in this area relate to timing of revenue recognition and adoption of appropriate methods of accounting.	The Authority's revenue recognition is in accordance with all applicable accounting guidelines.
Manual Journal Entries	The Authority records journal entries each month to the fee fund.	X	The nature of these journal entries is inherently more risky than utilizing system generated information with no manual intervention. These journal entries are subject to a more stringent set of controls.	We noted no journal entries considered inappropriate.



During the course of our audit, we accumulate differences between amounts recorded by the Authority and amounts that we believe are required to be recorded under GAAP reporting guidelines. Those adjustments are either recorded (corrected) by the Authority or passed (uncorrected). Uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even if, in the auditor's judgment, such uncorrected misstatements are immaterial to the financial statements under audit. The Authority did not have any uncorrected misstatements.

See the following section titled "Corrected Audit Adjustments"

### QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the Authority's operating environment that has been identified as playing a significant role in the Authority's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.



**LANCE R. LEFLEUR**  
DIRECTOR



**KAY IVEY**  
GOVERNOR

**Alabama Department of Environmental Management**  
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February 5, 2024

Carr, Riggs & Ingram, L.L.C.  
P.O. Box 311070  
Enterprise, AL 36331

This representation letter is provided in connection with your audit of the financial statements of Alabama Water Pollution Control Authority (the "Authority"), which comprise the respective financial position of the business-type activities and each major fund as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of February 5, 2024, the following representations made to you during your audit.

**Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 29, 2023, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

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- 5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the accounts.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the Alabama Water Pollution Control Authority is contingently liable, if any, have been properly recorded or disclosed.

### **Information Provided**

- 11) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of Alabama Water Pollution Control Authority or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the Authority and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.



17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

18) We have disclosed to you the names of the Authority's related parties and all the related party relationships and transactions, including any side agreements.

### **Government—specific**

19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

21) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.

22) The Alabama Water Pollution Control Authority has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, and fund balance or net position.

23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

24) We have appropriately disclosed all information for conduit debt obligations in accordance with [GASBS No. 91](#).

25) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.

26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

27) As part of your audit, you assisted with preparation of the financial statements, schedule of expenditures of federal awards, and related notes, preparation of the data collection form and principal forgiveness expense calculation. You also assisted with proposing certain cash-to-accrual entries and reclass entries for GAAP presentation purposes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating Pam Cousins, Fiscal Officer, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements, related notes, schedule of expenditures of federal awards, data collection form, principal forgiveness expense calculation, certain cash-to-accrual entries and any reclass entries for GAAP presentation purposes.

28) The Alabama Water Pollution Control Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

29) The Alabama Water Pollution Control Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

30) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.



- 31) The financial statements properly classify all funds and activities in accordance with [GASBS No. 34](#), as amended.
- 32) All funds that meet the quantitative criteria in [GASBS Nos. 34](#) and [37](#) for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 33) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 34) Provisions for uncollectible receivables have been properly identified and recorded.
- 35) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 36) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 37) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 38) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 39) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 40) We have appropriately disclosed the Alabama Water Pollution Control Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 41) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 42) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 43) With respect to the management's discussion and analysis (MD&A):
  - a) We acknowledge our responsibility for presenting the MD&A in accordance with accounting principles generally accepted in the United States of America, and we believe the MD&A, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the MD&A have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.





- b) If the MD&A is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

44) With respect to the schedule of expenditures of federal awards—

- a) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards in accordance with accounting principles generally accepted in the United States of America, and we believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the schedule of expenditures of federal awards have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- b) If the schedule of expenditures of federal awards is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

45) With respect to federal award programs:

- a) We are responsible for understanding and complying with and have complied with, the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.
- b) We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal awards (SEFA) and related disclosures in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e) We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- f) We are responsible for establishing, designing, implementing, and maintaining, and have established, designed, implemented, and maintained, effective internal control over compliance for federal



programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.

- g) We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement* (including its Addendum), relating to federal awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.
- j) We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E).
- m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.



- t) We have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
  - u) We have issued management decisions for audit findings that relate to federal awards made to subrecipients and such management decisions have been issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse. Additionally, we have followed-up ensuring that the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient.
  - v) We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
  - w) We have charged costs to federal awards in accordance with applicable cost principles.
  - x) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
  - y) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
  - z) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- 46) The Authority is in compliance with SEC debt issuer reporting requirements (Rule No. 240.15c2-12).
- 47) We are in agreement with the principal forgiveness expense allocation spreadsheet you have calculated and we take full responsibility for the calculations.
- 48) There were no board minutes taken subsequent to the statement of financial position date and through the date of this letter.

No events, including instances of noncompliance, have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

Signature: Panel D Cousins

Title: Feb 5 2024



Loan Fund

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>			
To adjust current portion of loan receivable to actual. - per request of client			
2.1.104	Loans Receivable current	4,165,000.00	
2.5.114	Loans Receivable current		4,165,000.00
<b>Total</b>		<b><u>4,165,000.00</u></b>	<b><u>4,165,000.00</u></b>
<b>Adjusting Journal Entries JE # 2</b>			
To allocate a portion of the principal forgiveness amounts to expense for FY 2023 based upon the amount of payments made. - per request of client			
101.1.409	Principle Forgiveness Expense	1,893,955.00	
132654.1.106	Principal Forgiveness EPA		1,893,955.00
<b>Total</b>		<b><u>1,893,955.00</u></b>	<b><u>1,893,955.00</u></b>



Loan Fee Fund

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>			
To reconcile balances to PY financials. - per request of client			
1207-01	Prepaid rent	166,282.00	
1604-01	Office Furniture	3,122.00	
1606-01	Boats/Marine	58,042.00	
1609-01	DP Equipment	46,992.00	
1611-01	Communication Equipment	78,625.00	
1612-01	Scient/Tech	623,377.00	
1658-01	A/D Other Equipment	582,321.00	
3020-03	UNKNOWN	24,515,122.00	
3301-03	Invest F/A	65,853.00	
1203-01	Due from Other Funds		166,282.00
1628-01	Other Equipment		649,010.00
1634-01	A/D Office Furniture		3,122.00
1636-01	A/D Boats		58,042.00
1639-01	A/D DP Equip		46,157.00
1641-01	A/D Communication Equipment		78,625.00
1642-01	A/D Scient/Tech		623,377.00
2007-02	Due to Other Funds, Noncurrent		166,282.00
3001-03	Res Encumb		21,953.00
3201-03	Unres Fd Bal		24,326,886.00
<b>Total</b>		<b>26,139,736.00</b>	<b>26,139,736.00</b>
<b>Adjusting Journal Entries JE # 2</b>			
To close encumbrance expense accounts to the res encumbrance equity account. - - per request of client			
3001-03	Res Encumb	1,947.00	
E605-0711-01	Encum - Mobile Telecommunication		447.00
E605-0812-01	Encum - Medical Services-Professional		1,500.00
<b>Total</b>		<b>1,947.00</b>	<b>1,947.00</b>
<b>Adjusting Journal Entries JE # 3</b>			
To record current year salvaged items to Property and Equipment.- per request of client			
1636-01	A/D Boats	12,627.00	
1639-01	A/D DP Equip	15,949.00	
1642-01	A/D Scient/Tech	63,298.00	
1658-01	A/D Other Equipment	2,957.00	
1606-01	Boats/Marine		12,627.00
1609-01	DP Equipment		15,949.00
1612-01	Scient/Tech		63,298.00
1628-01	Other Equipment		2,957.00
<b>Total</b>		<b>94,831.00</b>	<b>94,831.00</b>



### Loan Fee Fund (Continued)

#### Adjusting Journal Entries JE # 4

To record CY depreciation and correct minor differences.- per request of client

1700	Depreciation	1,525.00	
1639-01	A/D DP Equip		1,525.00
<b>Total</b>		<b><u>1,525.00</u></b>	<b><u>1,525.00</u></b>

#### Adjusting Journal Entries JE # 5

To record annual rental expense (amortization) of pre-paid rent - per request of client

600-059-22-224	RENTALS	166,282.00	
1207-01	Prepaid rent		166,282.00
<b>Total</b>		<b><u>166,282.00</u></b>	<b><u>166,282.00</u></b>

#### Adjusting Journal Entries JE # 6

To record CY additions. Per request of client.

1609-01	DP Equipment	3,095.00	
605-1402-01	Data Processing Equipment		3,095.00
<b>Total</b>		<b><u>3,095.00</u></b>	<b><u>3,095.00</u></b>

#### Adjusting Journal Entries JE # 7

To reverse a property entry made by the State

1628-01	Other Equipment	180,377.00	
1658-01	A/D Other Equipment		162,339.00
605-0715-01	Gain/Loss Sale of Fixed Assets		18,038.00
<b>Total</b>		<b><u>180,377.00</u></b>	<b><u>180,377.00</u></b>