

**MUNICIPAL UTILITIES BOARD
OF THE CITY OF ALBERTVILLE
ELECTRIC SYSTEM
Albertville, Alabama**

**AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Municipal Utilities Board of the City of Albertville – Electric System
Albertville, Alabama

We have audited the accompanying financial statements of the business-type activities of the Municipal Utilities Board of the City of Albertville – Electric System, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Electric System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Municipal Utilities Board of the City of Albertville – Electric System, as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and the pension and post-employment benefit schedules on pages 45 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipal Utilities Board of the City of Albertville – Electric System's basic financial statements. The schedules of operating expense and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of operating expense are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of operating expense are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Municipal Utilities Board of the City of Albertville – Electric System, are intended to present the financial position, the changes in financial position and cash flows of only that portion of the business-type activities attributable to the transactions of the Electric System. They do not purport to, and do not present fairly the financial position of the Municipal Utilities Board of the City of Albertville, as a whole, as of June 30, 2021 and 2020, the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Lori Criswell & Associates. P.C.

Snead, Alabama
October 26, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The MD&A represents management's examination and analysis of the Electric System's financial condition and performance for the years ending June 30, 2021 and 2020. This information should be read in conjunction with the financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. These financial statements report information about the Electric System using full accrual accounting methods as well as accounting procedures as outlined by the Federal Energy Regulatory Commission in the Uniform System of Accounts prescribed for Public Utilities and Licensees and with the provisions of its Power contract with the Tennessee Valley Authority.

The Municipal Utilities Board (MUB) was reorganized and incorporated on May 15, 2013, under Article 9, Chapter 50, Title 11 (Sections 11-50-310 et seq.) of the Code of Alabama (1975). Prior to May, 2013, MUB operated within the confines of an Act of the Alabama Legislature passed in 1943. While operating under the 1943 Act, MUB was organized as an entity of the City of Albertville and the City had to issue all debt for MUB. The new form of organization allows MUB to issue its own debt. The three-member Board of Directors of MUB (appointed by the City Council of Albertville) was given complete control of the public utilities in the City of Albertville. In addition to the Electric System, the Board also governs the Water and Waste Water Systems of the City.

Even though MUB is a municipal entity, the financial statements are presented more similar to a private business entity because a majority of the revenues in the Electric, Water and Waste Water Systems are generated from user fees, not any type of public tax. The Governmental Accounting Standards Board requires that these types of municipal entities follow accounting procedures more similar to those of private business. However, the mission of the Board is not to be a profitable entity, unlike a private system, but is to be able to finance all or most of its activities through user fees and reinvest assets in improving and maintaining the system.

The financial statements include a statement of net position; a statement of revenues, expenses and changes in net position; a statement of cash flows; and notes to the financial statements.

The statement of net position presents the financial position of the Electric System and all its assets and liabilities, with the difference reported as net position. Over time, increases or decreases in the System's net position are one indicator of whether the System's financial position is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents the results of the System's activities over the course of the fiscal year. This statement also provides information about the System's recovery of costs. Rate setting policies vary; however, the primary objective of any rate model is to improve equity among customer classes and ensure that capital costs are allocated on the basis of long-term capacity needs, ensuring that growth pays for growth.

The statement of cash flows presents changes in cash and cash equivalents, resulting from operating, financing and investing activities. This statement presents cash inflows and cash outflows for the fiscal year.

The notes to the financial statements provide required disclosures and other information vital to obtaining a full understanding of the System's financial statements. The notes present information about the System's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. Supplementary information, providing additional financial detail, is also provided.

The financial statements were prepared by the Board's accounting staff from the detailed books and records of the System. The financial statements were then audited and adjusted, if necessary, during the independent external audit process.

Financial Analysis

The following comparative condensed financial statements serve as the key financial data and indicators for management, monitoring and planning. The financial statements are studied in depth to detect trends, project growth and prepare budgets for the upcoming year.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - ELECTRIC SYSTEM

Condensed Financial Statements

Fiscal Year Ending June 30, 2021

Condensed Statements of Net Position	2021	2020	Variance	
			Dollars	Percent
Utility Plant	\$54,799,863	\$53,464,189	\$1,335,674	2.50%
Less Accumulated Depreciation	(\$26,642,291)	(\$25,233,934)	(\$1,408,357)	5.58%
Utility Plant Net of Depreciation	\$28,157,572	\$28,230,255	(\$72,683)	-0.26%
Current Assets and Other Assets	\$25,939,771	\$23,826,524	\$2,113,247	8.87%
Deferred Outflows of Resources	\$1,707,628	\$1,479,805	\$227,823	15.40%
Total Assets and Deferred Outflows	\$55,804,971	\$53,536,584	\$2,268,387	4.24%
Current Liabilities	\$8,409,450	\$7,655,876	\$753,574	9.84%
Long Term Liabilities	\$7,887,692	\$7,528,580	\$359,112	4.77%
Deferred Inflows of Resources	\$189,921	\$135,012	\$54,909	40.67%
Total Liabilities and Deferred Inflows	\$16,487,063	\$15,319,468	\$1,167,595	7.62%
Net Position:				
Net Investment in Capital Assets	\$28,157,572	\$28,230,255	(\$72,683)	-0.26%
Unrestricted	\$11,160,336	\$9,986,861	\$1,173,475	11.75%
Total Net Position	\$39,317,908	\$38,217,116	\$1,100,792	2.88%
Total Liabilities, Deferred Inflows and Net Position	\$55,804,971	\$53,536,584	\$2,268,387	4.24%

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2021		2020	Variance of 2021 Actual Data To:			
	Actual	Budget		2021 Budget		2020 Actual	
			Actual	Dollars	Percent	Dollars	Percent
Revenues:							
Electric Sales Revenue	\$46,569,954	\$48,000,000	\$46,080,531	(\$1,430,046)	-2.98%	\$489,423	1.06%
Other Revenue	\$751,988	\$700,000	\$703,443	\$51,988	7.43%	\$48,545	6.90%
Total Operating Revenue	\$47,321,942	\$48,700,000	\$46,783,974	(\$1,378,058)	-2.83%	\$537,968	1.15%
Expenses:							
Operating Expense	\$45,751,523	\$46,727,500	\$45,080,348	(\$975,977)	-2.09%	\$671,175	1.49%
Operating Income	\$1,570,419	\$1,972,500	\$1,703,626	(\$402,081)	-20.38%	(\$133,207)	-7.82%
Non-Operating Income and Expense-Net	(\$469,627)	\$144,000	\$169,002	(\$613,627)	-426.13%	(\$638,629)	-377.88%
Increase (Decrease) in Net Position	\$1,100,792	\$2,116,500	\$1,872,628	(\$1,015,708)	-47.99%	(\$771,836)	-41.22%

Financial Analysis

The following comparative condensed financial statements serve as the key financial data and indicators for management, monitoring and planning. The financial statements are studied in depth to detect trends, project growth and prepare budgets for the upcoming year.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - ELECTRIC SYSTEM

Condensed Financial Statements

Fiscal Year Ending June 30, 2020

Condensed Statements of Net Position	2020	2019	Variance	
			Dollars	Percent
Utility Plant	\$53,464,189	\$48,942,394	\$4,521,795	9.24%
Less Accumulated Depreciation	(\$25,233,934)	(\$23,809,912)	(\$1,424,022)	5.98%
Utility Plant Net of Depreciation	\$28,230,255	\$25,132,482	\$3,097,773	12.33%
Current Assets and Other Assets	\$23,826,524	\$25,191,957	(\$1,365,433)	-5.42%
Deferred Outflows of Resources	\$1,479,805	\$1,076,233	\$403,572	37.50%
Total Assets and Deferred Outflows	\$53,536,584	\$51,400,672	\$2,135,912	4.16%
Current Liabilities	\$7,655,876	\$7,968,968	(\$313,092)	-3.93%
Long Term Liabilities	\$7,528,580	\$6,659,055	\$869,525	13.06%
Deferred Inflows of Resources	\$135,012	\$428,161	(\$293,149)	-68.47%
Total Liabilities	\$15,319,468	\$15,056,184	\$263,284	1.75%
Net Position:				
Net Investment in Capital Assets	\$28,230,255	\$25,132,482	\$3,097,773	12.33%
Unrestricted	\$9,986,861	\$11,212,006	(\$1,225,145)	-10.93%
Total Net Position	\$38,217,116	\$36,344,488	\$1,872,628	5.15%
Total Liabilities, Deferred Inflows and Net Position	\$53,536,584	\$51,400,672	\$2,135,912	4.16%

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	Variance of 2020 Actual Data To:						
	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2020 Budget</u>		<u>2019 Actual</u>	
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Dollars</u>	<u>Percent</u>	<u>Dollars</u>	<u>Percent</u>
<u>Revenues:</u>							
Electric Sales Revenue	\$46,080,531	\$49,200,000	\$48,472,297	(\$3,119,469)	-6.34%	(\$2,391,766)	-4.93%
Other Revenue	\$703,443	\$720,000	\$761,184	(\$16,557)	-2.30%	(\$57,741)	-7.59%
Total Operating Revenue	\$46,783,974	\$49,920,000	\$49,233,481	(\$3,136,026)	-6.28%	(\$2,449,507)	-4.98%
<u>Expenses:</u>							
Operating Expense	\$45,080,348	\$48,300,000	\$46,857,578	(\$3,219,652)	-6.67%	(\$1,777,230)	-3.79%
Operating Income	\$1,703,626	\$1,620,000	\$2,375,903	\$83,626	5.16%	(\$672,277)	-28.30%
Non-Operating Income and Expense-Net	\$169,002	\$103,500	\$155,309	\$65,502	63.29%	\$13,693	8.82%
Increase (Decrease) in Net Position	\$1,872,628	\$1,723,500	\$2,531,212	\$149,128	8.65%	(\$658,584)	-26.02%

FINANCIAL POSITION

Statement of Net Position

The Electric System's financial position remains stable for 2021. Total assets and deferred outflows increased \$2,268,387 due to increased cash and cash equivalents. Total liabilities and deferred inflows increased \$1,167,595 due to an increase in accounts payable for purchased power and Net Pension Liability.

Total net position (total assets and deferred outflows minus total liabilities and deferred inflows) of \$39,317,908 reflects an increase of \$1,100,792 from last year, a 2.88% increase. Of this amount, 72% is invested in net plant assets and 28% is unrestricted.

For the fiscal year ending 2020, total assets and deferred outflows increased \$2,135,912 mostly due to increased net plant. Total liabilities and deferred inflows increased \$263,284 mostly due to an increase in Net Pension Liability.

Total net position (total assets and deferred outflows minus total liabilities and deferred inflows) of \$38,217,116 reflects an increase of \$1,872,628 from the previous year, a 5.15% increase. Of this amount, 74% is invested in net plant assets and 26% is unrestricted.

Results of Operations

The majority of the Electric System's operating revenues are derived from sales of electricity. Other revenue consists of forfeited discounts, rent from electric property and miscellaneous electric revenue. Miscellaneous revenue includes service fees, returned check fees, temporary service fees, reconnect fees, collections charges and transfer fees.

The Electric System has five classes of sales: residential, commercial, industrial, street and athletic, and outdoor lighting. Total sales revenue increased 1% in 2021, mostly due to an increase in kilowatt hours sold. The Electric System's largest expense is purchased power. \$38,329,587 was used in 2021 to purchase power from TVA. Purchased power was 82% of sales revenue.

Total operating expense, excluding purchased power, increased \$490,939 in 2021. Depreciation expense increased \$227,792 due to additions to plant. General and administrative expense increased \$111,664 due to an increase in GASB68 Pension Expense and GASB75 OPEB Expense (retiree health insurance). Taxes and tax equivalents increased \$99,606 due to increased tax equivalent payments to the City of Albertville. Distribution and maintenance expense increased \$82,352 due to an increase in payroll charged to expense. Payroll charged to expense varies based on the type of work in which employees are engaged; work on capital projects is charged to capital assets while maintenance and repair labor is charged to expense. Customer accounts expense decreased \$20,459 due to a change in payroll allocations. Sales expense decreased \$10,016.

For the fiscal year ending 2020, total sales revenue decreased 5%, mostly due to a decrease in kilowatt hours sold and decreased monthly fuel cost adjustments. The Electric System's largest expense is purchased power. \$38,149,351 was used in 2020 to purchase power from TVA. Purchased power was 83% of sales revenue.

Total operating expense, excluding purchased power, increased \$719,774 in 2020. General and administrative expense increased \$309,724 due to an increase in GASB68 Pension Expense. Taxes and tax equivalents increased \$164,469 due to increased tax equivalent payments to the City of Albertville. Distribution and maintenance expense increased \$104,921 due to an increase in payroll charged to expense. The percentage charged to expense varies based on the type of work in which employees are engaged; work on capital projects is charged to capital assets while maintenance and repair labor is charged to expense. Depreciation expense increased \$82,095 due to additions to plant. Customer accounts expense increased \$38,820 due to increased payroll, credit card processing and kiosk fees.

Capital Assets and Debt Administration

Total Electric Plant for 2021 (before depreciation, retirements, and reclassifications) increased \$2,608,185. 21% of this increase, \$549,739, was invested in overhead conductors and devices, one third of which was used for the Sand Mountain Parks project.

\$510,011 was invested in transportation equipment including a digger derrick truck, a pole trailer and five pickup trucks. Transformers increased \$481,716, while \$433,658 was invested in poles, towers, and fixtures due to a system wide pole changeout. \$167,649 was invested in meters and \$121,563 was added to security lights. 64 new overhead services were installed, and 64 underground services were installed for a total cost of \$83,636. Street lighting increased \$75,249. Communication equipment increased \$62,348 due to a new phone system, a line locator and fiber optic installations. \$56,718 was invested in station equipment due to the construction of substation control buildings and concrete entrances.

Structures and improvements increased \$32,005 due to electric's portion of the HVAC system at the main office. Power operated equipment increased \$18,605 due to the purchase of a track loader. \$15,287 was invested in office equipment due to the purchase of electric's portion of three payment kiosks, and land increased \$12,923.

The Electric system currently has no debt.

Total Electric Plant for 2020 (before depreciation, retirements, and reclassifications) increased \$6,806,880. 56% of this increase, \$3,820,954, was invested in station equipment due to the construction of the new Martling Road substation.

\$1,050,334 was invested in overhead conductors and devices, 75% of that amount was used for the Sand Mountain Parks project. Transformers increased \$525,796, 45% of that was invested in the Sand Mountain Parks project. \$482,606 was used for transportation equipment including a crane, a brush truck and three pickup trucks. \$316,056 was invested in poles, towers and fixtures, while \$198,526 was used for structures and improvements due to the construction of a new storage building. \$133,084 was added to security lights. 68 new overhead services were installed, and 56 underground services were installed for a total cost of \$132,094.

\$44,671 was invested in meters, while \$41,356 was used for street lighting. Communication equipment increased \$28,702 due to fiber optics installation. Power operated equipment increased \$20,660 due to the purchase of a forklift, and \$7,900 was invested in meter lab equipment. Office equipment increased \$4,141 due to the purchase of a new printer/plotter.

The Electric system had no debt in 2020.

Economic Factors and Next Year's Budget and Rates

The Capital Expenditures Budget for 2022 has been projected at \$11,812,826. These expenditures will include:

\$5,705,000	– Substation Equipment – New substation, grounding bank and substation buildings.
\$1,975,050	– Conductors and Devices – includes 41,000 feet of underground primary.
\$1,373,488	– Transformers – Includes 153 single phase transformers and 39 three phase transformers.
\$939,150	– Poles, Towers & Fixtures – includes 108 concrete poles and 150 wood poles.
\$318,000	– Transportation Equipment – includes a bucket truck and a pickup truck.
\$290,000	– Power Operated Equipment – includes a wire puller, skid steer and track hoe.
\$254,284	– Street Lights – includes 36 poles and 200 lights.
\$232,000	– Services – approximately 80 overhead and 100 underground services

\$225,000	– Structures & Improvements – includes concrete for pole yard at warehouse.
\$218,414	– Security Lights – approximately 381 security lights of various wattage and 36 poles.
\$102,440	– Meters – includes 204 AMI meters.
\$80,000	– Communications Equipment – includes fiber expansion and line locator.
\$35,000	– Computer Equipment – includes host server and backup.
\$25,000	– Land and Land Rights – miscellaneous.
\$20,000	– Lab Equipment – meter testing equipment.
\$20,000	– Tools, Shop & Garage Equipment – miscellaneous repairs.

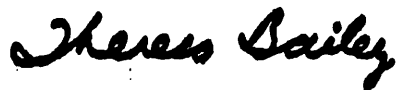
Final Comments

The Electric System's management and the MUB Board annually prepare and review operating budgets, payroll budgets and capital purchases budgets. The preparation of these budgets involves reviewing several factors such as: anticipated growth and expansion or cut backs in industrial load; forecasted expenses; and determination of capital needs. These budgets provide a blueprint for operations for the next year and assist in determining financial position for the near future.

It is the opinion of management that Electric rates are currently adequate to fund necessary expenditures and to maintain the Electric System in good repair. However, if growth far exceeds projected rates and additional facilities would have to be constructed, then electric rates would have to be reviewed.



Elden Chumley
General Manager/CEO
Municipal Utilities Board of Albertville



Theresa Bailey, CPA
Chief Financial Officer
Municipal Utilities Board of Albertville

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - ELECTRIC SYSTEM

STATEMENTS OF NET POSITION

JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 13,024,479	\$ 16,063,261
Certificates of Deposit	5,012,479	-
Accounts Receivable - Customers	6,193,338	5,949,822
Accrued Interest Receivable	1,033	5,997
Current Portion of Note Receivable - Water System	84,375	82,335
Accrued Rent Receivable	210,106	200,391
Material and Supplies	989,163	810,632
Prepaid Expenses	18,322	78,691
	<u>25,533,295</u>	<u>23,191,129</u>
CAPITAL ASSETS		
Land and Construction in Progress	1,353,680	1,115,837
Electric Plant in Service, Net of Accumulated Depreciation	26,803,892	27,114,418
	<u>28,157,572</u>	<u>28,230,255</u>
OTHER ASSETS		
Energy Right Loans Receivable	224,999	361,524
Note Receivable - Water System, Net of Current Portion	123,123	207,498
Deposit and Loan - Associated Company	58,354	66,373
	<u>406,476</u>	<u>635,395</u>
TOTAL ASSETS	<u>54,097,343</u>	<u>52,056,779</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Proportionate Share of Collective Deferred Outflows		
Related to Net Pension Liability	1,201,060	1,017,760
Proportionate Share of Collective Deferred Outflows		
Related to Net Other Post Employment Benefits Liability	506,568	462,045
	<u>1,707,628</u>	<u>1,479,805</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u><u>\$ 55,804,971</u></u>	<u><u>\$ 53,536,584</u></u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

	<u>2021</u>	<u>2020</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts Payable		
Purchased Power	\$ 3,731,061	\$ 3,213,770
Related Party	1,287,130	1,131,766
Other	226,494	346,761
Customer Deposits	2,666,875	2,532,093
Accrued Wages and Compensated Absences	399,905	357,098
Other Current Liabilities	97,985	74,388
	<u>8,409,450</u>	<u>7,655,876</u>
NONCURRENT LIABILITIES		
Energy Right Loans - Tennessee Valley Authority	235,833	379,217
Net Pension Liability	6,389,044	5,919,612
Accrued Liability - Other Post Employment Benefits	1,262,815	1,229,751
	<u>7,887,692</u>	<u>7,528,580</u>
TOTAL LIABILITIES	<u>16,297,142</u>	<u>15,184,456</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Proportionate Share of Collective Deferred Inflows		
Related to Net Other Post Employment Benefits Liability	189,921	135,012
<u>NET POSITION</u>		
Net Investment in Capital Assets	28,157,572	28,230,255
Unrestricted	11,160,336	9,986,861
	<u>39,317,908</u>	<u>38,217,116</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u><u>\$ 55,804,971</u></u>	<u><u>\$ 53,536,584</u></u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - ELECTRIC SYSTEM
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021		2020	
	Amount	Percent of Operating Revenue	Amount	Percent of Operating Revenue
OPERATING REVENUE				
Electric Sales Revenue				
Residential	\$ 11,549,955	24.41 %	\$ 11,480,182	24.54 %
General Power - 50 KW and Under	3,503,638	7.40	3,558,797	7.61
General Power - Over 50 KW	30,828,727	65.15	30,357,783	64.89
Street, Athletic and Outdoor Lighting	702,664	1.48	698,840	1.49
Less Uncollectible Accounts	(15,030)	(0.03)	(15,071)	(0.03)
	46,569,954	98.41	46,080,531	98.50
Revenue From Forfeited Discounts	107,170	0.23	115,849	0.25
Rent From Electric Property	430,040	0.91	410,018	0.88
Other Electric Revenue	214,778	0.45	177,576	0.38
	47,321,942	100.00	46,783,974	100.00
PURCHASED POWER	38,329,587	81.00	38,149,351	81.54
Revenue Less Power Costs	8,992,355	19.00	8,634,623	18.46
OPERATING EXPENSE				
Operating Expense	3,942,400	8.33	3,778,859	8.08
Depreciation	2,079,708	4.39	1,851,916	3.96
Taxes and Tax Equivalents	1,399,828	2.96	1,300,222	2.78
	7,421,936	15.68	6,930,997	14.81
OPERATING INCOME	1,570,419	3.32	1,703,626	3.64
NONOPERATING REVENUE (EXPENSE)				
Interest Income	46,077	0.10	183,329	0.39
Gain (Loss) on Disposal of Capital Assets	(506,640)	(1.07)	-	-
Interest Expense	(9,064)	(0.02)	(14,327)	(0.03)
	(469,627)	(0.99)	169,002	0.36
CHANGE IN NET POSITION	1,100,792	2.33 %	1,872,628	4.00 %
NET POSITION - Beginning	38,217,116		36,344,488	
NET POSITION - Ending	\$ 39,317,908		\$ 38,217,116	

The accompanying Notes to Financial Statements are an integral part of these financial statements.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - ELECTRIC SYSTEM

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 46,648,386	\$ 46,801,469
Payments to Suppliers	(39,268,145)	(39,917,986)
Payments to Employees	(3,147,827)	(2,924,043)
Other Receipts	420,325	401,434
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,652,739	4,360,874
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Principal Payments Received on Note Receivable - Water System	82,335	80,345
Interest Received on Note Receivable - Water System	6,180	8,007
Increase (Decrease) in Energy Right Loan Advances From TVA	(143,384)	(185,088)
Increase (Decrease) in Customer Deposits	134,782	(22,603)
Interest Paid on Customer Deposits	(9,064)	(14,327)
CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	70,849	(133,666)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(2,931,277)	(5,329,204)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Cash and Cash Equivalents	44,861	182,960
(Increase) Decrease in Receivables from Customers for Energy Right Loans	136,525	185,661
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	181,386	368,621
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,973,697	(733,375)
CASH AND CASH EQUIVALENTS - Beginning	16,063,261	16,796,636
CASH AND CASH EQUIVALENTS - Ending	\$ 18,036,958	\$ 16,063,261

The accompanying Notes to Financial Statements are an integral part of these financial statements.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - ELECTRIC SYSTEM

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 1,570,419	\$ 1,703,626
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	2,497,320	2,231,431
Bad Debts	15,030	15,071
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(258,546)	412,442
(Increase) Decrease in Rent Receivable	(9,715)	(8,584)
(Increase) Decrease in Material and Supplies	(178,531)	28,469
(Increase) Decrease in Prepaid Expenses	60,369	(64,974)
(Increase) Decrease in Deposit and Loan - Associated Company	8,019	(24,010)
Increase (Decrease) in Accounts Payable	397,024	(223,895)
Increase (Decrease) in Related Party Payable	155,364	(107,112)
Increase (Decrease) in Accrued Wages and Compensated Absences	42,807	49,113
(Increase) Decrease in Deferred Outflows of Resources - Net Pension Liability	(183,300)	(251,255)
Increase (Decrease) in Deferred Inflows of Resources - Net Pension Liability	-	(286,091)
Increase (Decrease) in Net Pension Liability	469,432	866,526
Increase (Decrease) in Deferred Outflows - Other Post Employment Benefits	(44,523)	(152,317)
Increase (Decrease) in Deferred Inflows - Other Post Employment Benefits	54,909	(7,058)
Increase (Decrease) in Accrued Liability - Other Post Employment Benefits	33,064	188,087
Increase (Decrease) in Other Current Liabilities	23,597	(8,595)
Total Adjustments	3,082,320	2,657,248
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 4,652,739	\$ 4,360,874

The accompanying Notes to Financial Statements are an integral part of these financial statements.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - ELECTRIC SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The Municipal Utilities Board of the City of Albertville, Alabama (the Board) was reorganized and incorporated on May 15, 2013, under Article 9, Chapter 50, Title 11 (Sections 11-50-310 et seq.) of the Code of Alabama (1975). Prior to May 15, 2013, the Board operated within the confines of an Act of the Alabama Legislature passed in 1943. While operating under the 1943 Act, the Board was organized as an entity of the City of Albertville and the City had to issue all debt for the Board. The new form of organization allows the Board to issue its own debt. The objectives for which the Board was formed are to acquire, operate, maintain, improve, and extend an electric system, a water distribution system, and a sanitary sewer system within the City of Albertville and the territory within Marshall County. The Board is also authorized to own and operate a natural gas distribution system, but no such system presently exists. The Board uses enterprise fund accounting for the separate departments, electric, water, and waste water, and issues separate financial statements for each.

The financial statements present only the Municipal Utilities Board of the City of Albertville – Electric System (the Electric System) and do not purport to, and do not, present the financial position of the Municipal Utilities Board of the City of Albertville and the changes in its financial position or its cash flows.

The property and business of the Municipal Utilities Board of the City of Albertville is managed by a three member Board of Directors appointed by the Mayor and City Council of the City of Albertville. The members of the Board and management at June 30, 2021 were as follows:

Board of Directors

Paul McAbee, Chairman
Harold Chitwood, Member
Kasey Culbert, Member

Management

Elden Chumley, General Manager/CEO

NATURE OF BUSINESS

The Electric System provides electric power to residents and businesses in the City of Albertville, Alabama area. The power is purchased under contract from the Tennessee Valley Authority (TVA).

ACCOUNTING PRINCIPLES

The Electric System's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America 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.

BASIS OF PRESENTATION AND ACCOUNTING

The Electric System utilizes the accrual basis of accounting. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - ELECTRIC SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

REGULATION

The Electric System is subject to limited regulations granted by federal statute to the TVA. These regulations include approving the Electric System's rates.

RECOGNITION OF ELECTRIC REVENUE AND COST

Electric revenue and the related cost of power purchased are recognized when electricity is used by the ultimate consumer.

TAXES

The Electric System is not subject to federal and state income taxes. The Electric System collects utility tax from its customers on behalf of the State of Alabama. Revenue is presented net of tax collected in the statement of revenues, expenses, and changes in net position.

INVENTORIES

Inventories of material and supplies are priced at the lower of average cost or net realizable value.

CASH EQUIVALENTS

The Electric System considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

ACCOUNTS RECEIVABLE

Accounts receivable represents amounts billed to individuals and businesses in the Albertville area for electric, water, and waste water services provided by the Municipal Utilities Board of the City of Albertville. All services are billed and collected by the Electric System, with revenues recognized by each department through an intercompany system of accounting. As of June 30, 2021 and 2020, the total receivables due from customers were \$6,193,338 and \$5,949,822, respectively. The Board uses the direct write-off method for uncollectible accounts. An allowance for doubtful accounts at June 30, 2021 and 2020 is not considered necessary.

ENERGY RIGHT LOANS RECEIVABLE

These loans represent amounts due from customers who used the proceeds for electric home appliances or energy efficient home improvements. The Electric System, in turn, borrows the amount of the loan from TVA and as payments are received from customers, the Electric System remits them to TVA. The Electric System acts as an agent for TVA in this energy loan project. On July 1, 2015, the Electric Department opted to allow TVA to administer all future loans and repayments in the Energy Right Loan Program. The Electric System will continue to collect and remit any outstanding loans according to TVA program guidelines until these existing loans are paid in full. The existing loans are estimated to be paid in full by 2026.

CONCENTRATION OF CREDIT RISK

The Board grants credit to its customers, substantially all of who are located in the City of Albertville, Alabama.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - ELECTRIC SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

AMORTIZATION

Debt issuance costs (prepaid insurance only), bond discounts or premiums, and deferred losses on refunding are amortized over the terms of the bonds using a method which approximates the effective interest method.

USE OF ESTIMATES

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

UTILITY PLANT

Utility plant is stated at cost less accumulated depreciation. Depreciation is calculated on the composite-rate method at rates recommended by TVA. Retirements of units of property from service have been charged to the accumulated depreciation accounts at the original cost of the units plus cost of removal. Salvage value of the units retired is credited to the accumulated depreciation accounts. The costs of maintenance, repairs and replacing minor items are charged principally to expense as incurred. Depreciation rates are as follows:

Distribution Plant:

Land and Land Rights	2.50%
Station Equipment	4.00
Poles, Towers, Fixtures	4.75
Overhead Conductors and Devices	2.75
Line Transformers	2.50
Services	4.50
Meters – Regular	5.00
Meters – AMI	5.00
Installation on Customers' Premises	8.00
Street Lighting and Signal System	8.00

General Plant:

Land and Land Rights	0.00%
Structures and Improvements	3.00
Furniture and Equipment	10.00
Transportation Equipment	12.00
Stores Equipment	10.00
Power Operated Equipment	10.00
Tools, Shop and Garage Equipment	8.00
Laboratory Equipment	10.00
Communication Equipment	10.00

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - ELECTRIC SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NET POSITION

Net position is divided into three components:

Net Investment in Capital Assets – consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets increased by balances of deferred outflows of resources related to those assets.

Restricted – consists of external constraints placed on net position use imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – consists of all other net position that does not meet the definition of the above two components and is available for general use by the Electric System.

PENSIONS

The Employees' Retirement System of Alabama (the Plan or ERS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with the requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - ELECTRIC SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following amounts at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
UNRESTRICTED		
Working Funds	\$ 3,775	\$ 3,775
Checking Accounts	13,020,704	16,059,486
Certificates of Deposit	<u>5,012,479</u>	<u>-</u>
	<u>18,036,958</u>	<u>16,063,261</u>
RESTRICTED	<u>-</u>	<u>-</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 18,036,958</u>	<u>\$ 16,063,261</u>

The Municipal Utilities Board of the City of Albertville's deposits at year-end were held by financial institutions in the State of Alabama's Security of Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - ELECTRIC SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 3 - CAPITAL ASSETS

Information related to property, plant and equipment of the Electric System for the year ended June 30, 2021 was as follows:

	Balance at June 30, 2020	Increases	Decreases	Balance at June 30, 2021
<i>Capital assets not being depreciated:</i>				
Distribution Plant: Land and Land Rights	\$ 474,981	\$ 12,923	\$ 77	\$ 487,827
General Plant: Land and Land Rights	356,504	-	-	356,504
Construction in Progress, Net Change	284,352	224,997	-	509,349
Total capital assets not being depreciated	1,115,837	237,920	77	1,353,680
<i>Capital assets being depreciated:</i>				
Electric Plant in Service:				
Distribution Plant:				
Station Equipment	11,318,305	56,718	1,137	11,373,886
Poles, Towers, Fixtures	7,588,890	433,658	146,570	7,875,978
Overhead Conductors and Devices	6,856,059	549,739	28,196	7,377,602
Line Transformers	6,932,120	481,716	100,106	7,313,730
Services	3,185,543	83,636	27,670	3,241,509
Meters	3,555,641	167,649	878,558	2,844,732
Installation on Customers' Premises	1,624,552	121,563	50,476	1,695,639
Street Lighting and Signal System	1,074,069	75,249	19,838	1,129,480
	42,135,179	1,969,928	1,252,551	42,852,556
General Plant:				
Structures and Improvements	3,905,796	32,005	-	3,937,801
Furniture and Equipment	532,481	15,287	10,940	536,828
Transportation Equipment	3,335,873	510,012	232,035	3,613,850
Stores Equipment	75,321	-	-	75,321
Power Operated Equipment	180,623	18,605	-	199,228
Tools, Shop and Garage Equipment	165,035	-	6,664	158,371
Laboratory Equipment	82,002	-	-	82,002
Communication Equipment	1,936,042	62,348	8,164	1,990,226
	10,213,173	638,257	257,803	10,593,627
Total capital assets being depreciated	52,348,352	2,608,185	1,510,354	53,446,183

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - ELECTRIC SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

	Balance at June 30, 2020	Increases	Decreases	Balance at June 30, 2021
<i>Less accumulated depreciation for:</i>				
Distribution Plant:				
Station Equipment	\$ 5,864,579	\$ 454,370	\$ 1,137	\$ 6,317,812
Poles, Towers, Fixtures	4,684,945	364,446	234,026	4,815,365
Overhead Conductors and Devices	2,031,045	193,870	33,079	2,191,836
Line Transformers	1,530,514	177,899	121,725	1,586,688
Services	2,550,265	144,420	39,920	2,654,765
Meters	835,448	144,123	371,918	607,653
Installation on Customers' Premises	1,322,079	132,580	68,452	1,386,207
Street Lighting and Signal System	885,835	87,394	31,944	941,285
	<u>19,704,710</u>	<u>1,699,102</u>	<u>902,201</u>	<u>20,501,611</u>
General Plant:				
Structures and Improvements	891,572	117,174	-	1,008,746
Furniture and Equipment	495,992	51,776	10,940	536,828
Transportation Equipment	2,892,687	395,001	161,394	3,126,294
Stores Equipment	47,407	7,532	-	54,939
Power Operated Equipment	20,482	22,612	-	43,094
Tools, Shop and Garage Equipment	165,035	-	6,664	158,371
Laboratory Equipment	53,155	8,200	-	61,355
Communication Equipment	962,894	195,846	7,687	1,151,053
	<u>5,529,224</u>	<u>798,141</u>	<u>186,685</u>	<u>6,140,680</u>
Total accumulated depreciation	<u>25,233,934</u>	<u>2,497,243</u>	<u>1,088,886</u>	<u>26,642,291</u>
Total capital assets being depreciated, net	<u>27,114,418</u>	<u>110,942</u>	<u>421,468</u>	<u>26,803,892</u>
Net Book Value	<u>\$ 28,230,255</u>	<u>\$ 348,862</u>	<u>\$ 421,545</u>	<u>\$ 28,157,572</u>

Depreciation expense for the year ended June 30, 2021 was charged to the following accounts:

Depreciation Expense	\$ 2,079,708
Transportation Expense Clearing	<u>417,612</u>
	<u>\$ 2,497,320</u>

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - ELECTRIC SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Information related to property, plant and equipment of the Electric System for the year ended June 30, 2020 was as follows:

	Balance at June 30, 2019	Increases	Decreases	Balance at June 30, 2020
<i>Capital assets not being depreciated:</i>				
Distribution Plant: Land and Land Rights	\$ 475,058	\$ -	\$ 77	\$ 474,981
General Plant: Land and Land Rights	356,504	-	-	356,504
Construction in Progress, Net Change	1,916,778	-	1,632,426	284,352
Total capital assets not being depreciated	2,748,340	-	1,632,503	1,115,837
<i>Capital assets being depreciated:</i>				
Electric Plant in Service:				
Distribution Plant:				
Station Equipment	7,499,929	3,820,954	2,578	11,318,305
Poles, Towers, Fixtures	7,393,245	316,056	120,411	7,588,890
Overhead Conductors and Devices	5,885,480	1,050,334	79,755	6,856,059
Line Transformers	6,658,834	525,796	252,510	6,932,120
Services	3,077,307	132,094	23,858	3,185,543
Meters	3,511,631	44,671	661	3,555,641
Installation on Customers' Premises	1,549,701	133,084	58,233	1,624,552
Street Lighting and Signal System	1,049,676	41,356	16,963	1,074,069
	36,625,803	6,064,345	554,969	42,135,179
General Plant:				
Structures and Improvements	3,707,270	198,526	-	3,905,796
Furniture and Equipment	528,340	4,141	-	532,481
Transportation Equipment	2,946,562	482,606	93,295	3,335,873
Stores Equipment	75,321	-	-	75,321
Power Operated Equipment	159,963	20,660	-	180,623
Tools, Shop and Garage Equipment	165,035	-	-	165,035
Laboratory Equipment	74,102	7,900	-	82,002
Communication Equipment	1,911,658	28,702	4,318	1,936,042
	9,568,251	742,535	97,613	10,213,173
Total capital assets being depreciated	46,194,054	6,806,880	652,582	52,348,352

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - ELECTRIC SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

	Balance at June 30, 2019	Increases	Decreases	Balance at June 30, 2020
<i>Less accumulated depreciation for:</i>				
Distribution Plant:				
Station Equipment	\$ 5,567,100	\$ 300,057	\$ 2,578	\$ 5,864,579
Poles, Towers, Fixtures	4,523,845	354,254	193,154	4,684,945
Overhead Conductors and Devices	1,995,376	164,442	128,773	2,031,045
Line Transformers	1,628,087	167,682	265,255	1,530,514
Services	2,448,350	140,114	38,199	2,550,265
Meters	692,724	143,385	661	835,448
Installation on Customers' Premises	1,266,620	126,257	70,798	1,322,079
Street Lighting and Signal System	827,005	84,361	25,531	885,835
	<u>18,949,107</u>	<u>1,480,552</u>	<u>724,949</u>	<u>19,704,710</u>
General Plant:				
Structures and Improvements	780,052	111,520	-	891,572
Furniture and Equipment	443,054	52,938	-	495,992
Transportation Equipment	2,608,405	363,002	78,720	2,892,687
Stores Equipment	39,874	7,533	-	47,407
Power Operated Equipment	3,969	16,513	-	20,482
Tools, Shop and Garage Equipment	165,035	-	-	165,035
Laboratory Equipment	45,021	8,134	-	53,155
Communication Equipment	775,395	191,161	3,662	962,894
	<u>4,860,805</u>	<u>750,801</u>	<u>82,382</u>	<u>5,529,224</u>
Total accumulated depreciation	<u>23,809,912</u>	<u>2,231,353</u>	<u>807,331</u>	<u>25,233,934</u>
Total capital assets being depreciated, net	<u>22,384,142</u>	<u>4,575,527</u>	<u>(154,749)</u>	<u>27,114,418</u>
Net Book Value	<u>\$ 25,132,482</u>	<u>\$ 4,575,527</u>	<u>\$ 1,477,754</u>	<u>\$ 28,230,255</u>

Depreciation expense for the year ended June 30, 2020 was charged to the following accounts:

Depreciation Expense	\$ 1,851,916
Transportation Expense Clearing	<u>379,515</u>
	<u>\$ 2,231,431</u>

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - ELECTRIC SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 4 - TENNESSEE VALLEY AUTHORITY ENERGY RIGHT PROGRAM

Under the Tennessee Valley Authority's (TVA) Energy Right Program, the Electric System receives advances from TVA and loans these funds to consumers to cover the cost of energy conservation improvements. The loans to the consumer are interest-bearing and are generally repaid over a 36 to 120 month period. The Electric System remits to TVA the collections from the consumers on a monthly basis. Any losses sustained for non-payment of these loans are charged to TVA. A summary of these loans at June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Energy Right Loans Receivable from Customers	<u>\$ 224,999</u>	<u>\$ 361,524</u>
Energy Right Loans Payable to TVA	<u>\$ 235,833</u>	<u>\$ 379,217</u>

NOTE 5 – ASSOCIATED COMPANY

Central Service Association (CSA) is the software development company, owned by its members, utilized by the Municipal Utilities Board of the City of Albertville. CSA allocates amounts to its members for project expenses in addition to charges for services. The Municipal Utilities Board of the City of Albertville has deposited funds with CSA to cover the float and exposure related to the timing interval for the billing and collection process. The loan amounts were derived from CSA's allocation of its annual excess collections over prior years. These loans were a part of an effort to build capital to purchase CSA's building and to re-engineer major software projects for the Membership's use.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - ELECTRIC SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 6 – NOTE RECEIVABLE – WATER SYSTEM

During the year ended June 30, 2014, the Electric System sold to the Water System and to the Waste Water System each a portion of the Office Land, Building and Equipment. The Electric System financed for the Water System the sale amount of the Office Land, Building and Equipment over 10 years at 2.45% with monthly payments of \$7,376.31 beginning December 1, 2013.

Changes in the note receivable from the Water System for the year ended June 30, 2021 was as follows:

	Balance at June 30, 2020	Issues	Retirements	Balance at June 30, 2021
Note Receivable – Water System	\$ 289,833	\$ -	\$ 82,335	\$ 207,498

Changes in the note receivable from the Water System for the year ended June 30, 2020 was as follows:

	Balance at June 30, 2019	Issues	Retirements	Balance at June 30, 2020
Note Receivable – Water System	\$ 370,178	\$ -	\$ 80,345	\$ 289,833

Total principal and interest maturities of the note receivable for the years ended June 30 are as follows:

	Principal	Interest	Total
2022	\$ 84,375	\$ 4,141	\$ 88,516
2023	86,466	2,050	88,516
2024	36,657	225	36,882
	<u>\$ 207,498</u>	<u>\$ 6,416</u>	<u>\$ 213,914</u>

NOTE 7 – INTEREST EXPENSE

The Electric System began paying interest on customer deposits during the year ended June 30, 2016. The total interest expense recognized for the years ended June 30, 2021 and 2020 was \$9,064 and \$14,327, respectively.

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NOTE 8 - PENSION PLAN

The Municipal Utilities Board of the City of Albertville (the Board) contributes to the Employees' Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement system, which acts as a common investment and administrative agent for the various state agencies and departments.

General Information About the Pension Plan

Plan Description

The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 13 trustees. Effective October 1, 2021 Act 390 of the Legislature of 2021 will create two additional representatives and change the composition of representatives within the ERS Board of Control. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - ELECTRIC SYSTEM

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years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 590 employers adopted Act 2019-132.

The ERS serves approximately 853 local participating employers. The ERS membership includes approximately 101,245 participants. As of September 30, 2020, membership consisted of:

Retirees and beneficiaries currently receiving benefits	28,672
Terminated employees entitled to but not yet receiving benefits	1,974
Terminated employees not entitled to a benefit	14,133
Active members	56,369
Post-DROP participants still in active service	<u>97</u>
Total	<u>101,245</u>

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Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation.

Employers participating in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676 Tier 1 regular members contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 firefighters and law enforcement officers increased from 6% to 8.5% of earnable compensation.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the years ended June 30, 2021 and 2020, the Board's active employee contribution rate was 5% for Tier 1 employees, and 7.5% and 6%, respectively, for Tier 2 employees of covered employee payroll, and the Board's average contribution rate to fund the normal and accrued liability costs was 14.49% for 2021 and 14.18% for 2020 of pensionable employee payroll.

The Board's contractually required contribution rate for the year ended June 30, 2021 was 14.89% of pensionable pay for Tier 1 employees, and 12.16% of pensionable pay for Tier 2 employees. The Board's contractually required contribution rate for the year ended June 30, 2020 was 14.83% of pensionable pay for Tier 1 employees, and 12.04% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuations as of September 30, 2017 and 2016, respectively, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$998,245 and \$918,636 for the years ended June 30, 2021 and 2020, respectively.

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The components of the Board's contributions for the year ended June 30, 2021 were as follows:

	<u>Electric</u>	<u>Water</u>	<u>Waste Water</u>	<u>Total</u>
Employee Contributions	\$ 167,732	\$ 98,765	\$ 107,511	\$ 374,008
Employer Contributions	<u>458,743</u>	<u>269,252</u>	<u>270,250</u>	<u>998,245</u>
	<u>\$ 626,475</u>	<u>\$ 368,017</u>	<u>\$ 377,761</u>	<u>\$ 1,372,253</u>

The components of the Board's contributions for the year ended June 30, 2020 were as follows:

	<u>Electric</u>	<u>Water</u>	<u>Waste Water</u>	<u>Total</u>
Employee Contributions	\$ 151,324	\$ 89,711	\$ 92,503	\$ 333,538
Employer Contributions	<u>423,665</u>	<u>249,683</u>	<u>245,288</u>	<u>918,636</u>
	<u>\$ 574,989</u>	<u>\$ 339,394</u>	<u>\$ 337,791</u>	<u>\$ 1,252,174</u>

Employer contribution amounts include active employees and cost of living adjustments approved by the Board for retired employees.

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Net Pension Liability

The Board's net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019 rolled forward to September 30, 2020 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual Before Act 2019-132</u>	<u>Actual After Act 2019-132</u>
(a) Total Pension Liability as of September 30, 2019	\$ 31,072,802	\$ 31,421,359	\$ 31,574,022
(b) Discount Rate	7.70%	7.70%	7.70%
(c) Entry Age Normal Cost for the Period October 1, 2019 – September 30, 2020	445,568	445,568	474,068
(d) Transfers Among Employers:	0	16,888	16,888
(e) Actual Benefit Payments and Refunds for the Period October 1, 2019 – September 30, 2020	<u>(1,864,029)</u>	<u>(1,864,029)</u>	<u>(1,864,029)</u>
(f) Total Pension Liability as of September 30, 2020 [(a) x (1+(b))] + (c) + (d) + [(e) x (1+.05*(b))]	<u>\$ 31,975,182</u>	<u>\$ 32,367,265</u>	<u>\$ 32,560,184</u>
(g) Difference between Expected and Actual:		\$ 392,083	
(h) Less Liability Transferred for Immediate Recognition:		\$ 16,888	
(i) Difference between Expected and Actual – Experience (Gain)/Loss		\$ 375,395	
(j) Difference between Actual Total Pension Liability Before and After Act 2019-132 – Benefit Change (Gain)/Loss			\$ 192,919

Actuarial Assumptions

The total pension liability as of September 30, 2020, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2019. The key actuarial assumptions are summarized below:

Inflation	2.75%
Projected Salary increases	3.25% - 5.00%
Investment rate of return*	7.70%

*Net of pension plan investment expense

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Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2018, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	17.00%	4.40%
US Large Stocks	32.00%	8.00%
US Mid Stocks	9.00%	10.00%
US Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	100.00%	

* Includes assumed rate of inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at 9/30/2019	\$ 31,072,802	\$ 18,477,883	\$ 12,594,919
Changes for the Year			
Service Cost	445,568	-	445,568
Interest	2,320,841	-	2,320,841
Changes in Benefit Terms	192,919	-	192,919
Changes in Assumptions	-	-	-
Differences between expected and actual experience	375,395	-	375,395
Contributions – Employer	-	943,044	(943,044)
Contributions – Employee	-	352,769	(352,769)
Net Investment Income	-	1,040,119	(1,040,119)
Benefit Payments, Including Refunds of Employee Contributions	(1,864,029)	(1,864,029)	-
Administrative Expense	-	-	-
Transfers Among Employees	16,688	16,688	-
Net Changes	1,487,382	488,591	998,791
Balances at 9/30/2020	\$ 32,560,184	\$ 18,966,474	\$ 13,593,710

The net pension liability is reflected in each System's financial statements as follows:

<u>System</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Electric	\$ 6,389,044	\$ 5,919,612
Water	3,670,302	3,526,577
Waste Water	3,534,364	3,148,730
Total	\$ 13,593,710	\$ 12,594,919

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

The following table presents the Board's net pension liability calculated using the discount rate of 7.70%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage-point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Board's Net Pension Liability	\$ 17,537,755	\$ 13,593,710	\$ 10,275,720

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2020. The auditor's report dated April 30, 2021 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

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

For the year ended June 30, 2021, the Board recognized pension expense of \$998,245. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,075,363	\$ 0
Changes of assumptions	211,070	0
Net difference between projected and actual earnings on pension plan investments	587,323	0
Employer contributions subsequent to the measurement date	729,227	0
Total	<u>\$ 2,602,983</u>	<u>\$ 0</u>

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For the year ended June 30, 2020, the Board recognized pension expense of \$918,634. At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,017,426	\$ 0
Changes of assumptions	291,394	0
Net difference between projected and actual earnings on pension plan investments	203,245	0
Employer contributions subsequent to the measurement date	686,395	0
Total	<u>\$ 2,198,460</u>	<u>\$ 0</u>

The Deferred Outflows of Resources and Deferred Inflows of Resources were reported in each System's financial statements as follows as of June 30, 2021:

<u>System</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Electric	\$ 1,201,060	\$ -
Water	717,079	-
Waste Water	684,844	-
Total	<u>\$ 2,602,983</u>	<u>\$ -</u>

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The Deferred Outflows of Resources and Deferred Inflows of Resources were reported in each System's financial statements as follows as of June 30, 2020:

<u>System</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Electric	\$ 1,017,760	\$ -
Water	610,315	-
Waste Water	<u>570,384</u>	<u>-</u>
Total	<u>\$ 2,198,459</u>	<u>\$ -</u>

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

Year ended June 30:	
2022	\$406,176
2023	533,575
2024	516,676
2025	270,008
2026	135,214
Thereafter	12,107

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NOTE 9 - POST-RETIREMENT HEALTH CARE BENEFITS

In addition to pension benefits, the Board provides post-retirement health care benefits in accordance with Board policy.

Description

The Municipal Utilities Board of the City of Albertville (the Board) follows the provisions of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."

The Board, through its commitment to provide other post-employment benefits (OPEB), provides medical benefits to eligible retired employees and their beneficiaries. The Board provides these benefits through the Local Government Health Insurance Plan (LGHIP), an agent multiple-employer healthcare plan affiliated with the Retirement System of Alabama (See Note 8). Once retirees and/or their dependents are eligible for Medicare, their coverage through LGHIP becomes secondary to Medicare.

The Board is under no statutory or contractual obligation to provide these postretirement healthcare benefits. Because the plan consists solely of the Board's commitment to provide OPEB through the payment of premiums to the LGHIP, no stand-alone financial report is either available or generated.

Benefits Provided

Retirees are offered health coverage through the Alabama Local Government Health Insurance Board (LGHIB). Premiums under the Plan for post-employment healthcare benefits are funded by participating retirees in accordance with rates established by the LGHIB and by MUB itself from appropriate system funds. For the first three years after retirement, retirees pay \$30 per month for single coverage and \$65 per month for family coverage; the same rate as active employees. At the end of the three-year period, the retiree must pay the entire cost of their premium and that of their dependents. Medical and drug benefits are offered for both pre-Medicare and Medicare eligible retirees.

Medical premiums for non-Medicare retirees was \$1,078 per month for single coverage and \$1,987 per month for family coverage. Medicare primary retirees paid \$198 per month for single coverage and \$396 per month for family coverage. The Plan is financed on a pay-as-you-go basis.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021, the Board reported a liability of \$3,006,701 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020. The Board's proportion of the net OPEB liability was based on a projection of the Board's long-term share of the contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined.

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Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balances at 9/30/2019	\$ 2,927,979	\$ -	\$ 2,927,979
Changes for the Year			
Service Cost at the end of the year	126,225	-	126,225
Interest on Total OPEB Liability and Cash Flows	76,412	-	76,412
Changes in benefit terms	46,798	-	46,798
Differences between expected and actual experience	(182,331)	-	(182,331)
Changes in Assumptions or other inputs	123,074	-	123,074
Benefit Payments and implicit subsidy credit	(111,456)	-	(111,456)
Other	-	-	-
Net Changes	78,722	-	78,722
Balances at 9/30/2020	\$ 3,006,701	\$ -	\$ 3,006,701

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in healthcare cost trend rates

The following presents the net OPEB liability of the plan as of September 30, 2020, using the current healthcare trend rate, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	Health Care Cost Trend Rate Sensitivity		
	1% Decrease	Current	1% Increase
Board's Total OPEB Liability	\$ 2,655,808	\$ 3,006,701	\$ 3,420,278
	Discount Rate Sensitivity		
	1% Decrease	Current	1% Increase
	(1.21%)	Discount Rate (2.21%)	(3.21%)
Board's Total OPEB Liability	\$ 3,257,864	\$ 3,006,701	\$ 2,770,251

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The financial statements as of June 30, 2021 reflect a long-term liability and related expense divided by system as follows:

<u>System</u>	<u>Long-Term Liability</u>	<u>Related Expense</u>
Electric	\$ 1,262,815	\$ 94,603
Water	871,943	42,810
Waste Water	<u>871,943</u>	<u>57,749</u>
Total	<u>\$ 3,006,701</u>	<u>\$ 195,162</u>

The financial statements as of June 30, 2020 reflect a long-term liability and related expense divided by system as follows:

<u>System</u>	<u>Long-Term Liability</u>	<u>Related Expense</u>
Electric	\$ 1,229,751	\$ 72,584
Water	849,114	56,024
Waste Water	<u>849,114</u>	<u>26,519</u>
Total	<u>\$ 2,927,979</u>	<u>\$ 155,126</u>

For the year ended June 30, 2021, the Board recognized OPEB expense of \$195,162. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 250,378
Changes of assumptions	403,540	95,744
Employer contributions subsequent to the measurement date	1,074,822	0
Employee and retiree contributions subsequent to the measurement date	<u>0</u>	<u>94,618</u>
Total	<u>\$ 1,478,362</u>	<u>\$ 440,740</u>

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For the year ended June 30, 2020, the Board recognized OPEB expense of \$155,126. At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 98,340
Changes of assumptions	326,776	110,222
Employer contributions subsequent to the measurement date	1,012,132	0
Employee and retiree contributions subsequent to the measurement date	0	98,076
Total	\$ 1,338,908	\$ 306,638

The Deferred Outflows of Resources and Deferred Inflows of Resources were reported in each System's financial statements as follows as of June 30, 2021:

<u>System</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Electric	\$ 506,568	\$ 189,921
Water	479,899	132,548
Waste Water	491,895	118,272
Total	\$ 1,478,362	\$ 440,740

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The Deferred Outflows of Resources and Deferred Inflows of Resources were reported in each System's financial statements as follows as of June 30, 2020:

<u>System</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Electric	\$ 462,045	\$ 135,012
Water	425,248	93,235
Waste Water	451,615	78,391
Total	<u>\$ 1,338,908</u>	<u>\$ 306,638</u>

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

Year ended June 30:	
2021	\$ 1,539
2022	1,539
2023	1,539
2024	1,539
2025	1,539
Thereafter	49,723

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Real wage growth	0.25%
Wage inflation	3.00%
Salary increases, including wage inflation	3.25% - 5.00%
Municipal Bond Index Rage	
Prior Measurement Date	2.66%
Measurement Date	2.21%
Health Care Cost Trends	
Pre-Medicare	7.00% for 2020 decreasing to an ultimate rate of 4.50% by 2030
Medicare	5.25% for 2019 decreasing to an ultimate rate of 4.50% by 2024
Dental	4.00%

The discount rate used to measure TOL was based on the September average of the Bond Buyer General

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JUNE 30, 2021 AND 2020

Obligation 20-year Municipal Bond Index published by The Bond Buyer.

Mortality rates for active employees were based on the sex distinct RP-2000 Employee Mortality Table projected with Scale BB to 2020 with an adjustment factor of 70% for males and 50% for females. Post-retirement mortality rates on the sex distinct RP-2000 Blue Collar Mortality Table projected with Scale BB to 2020. An adjustment of 125% at all ages for males and 120% for females beginning at age 78 was made for service retirements and beneficiaries. An adjustment of 130% for females at all ages was made for disability retirements.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the September 30, 2020 valuation were based on the results of an actuarial experience study for the period October 1, 2010 – September 30, 2015, and were submitted to and adopted by the Board of the Employees' Retirement system of Alabama on September 29, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2020 valuation were based on a review of recent plan experience done concurrently with the September 30, 2020 valuation.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns. The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	30.00%	4.40%
US Large Stocks	38.00%	8.00%
US Mid Stocks	8.00%	10.00%
US Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash Equivalents	<u>5.00%</u>	1.50%
Total	<u>100.00%</u>	

* Includes assumed rate of inflation of 2.75%.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - ELECTRIC SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 10 - JOINT USE AGREEMENTS

The Electric System has in effect open and "Joint Use" agreements with AT&T, Charter, Windstream and Farmers Communications. Under these agreements the Electric System rents use of poles and related equipment owned by others and in turn receives rent on its facilities used by others. The total rent received from electric property and rent expense under these agreements is summarized below:

<u>Description</u>	<u>2021</u>	<u>2020</u>
Rent from Electric Property:		
Poles and Equipment	<u>\$ 430,040</u>	<u>\$ 410,018</u>
Rent Expense:		
Pole Rental	<u>\$ 60,185</u>	<u>\$ 55,002</u>

NOTE 11 - RELATED PARTY TRANSACTIONS

The City Council of the City of Albertville appoints all members to the Municipal Utilities Board of the City of Albertville. The Electric System bills and collects garbage fees for the City and remits amounts billed on a monthly basis. The tax equivalent remitted to the City of Albertville for the years ended June 30, 2021 and 2020 was \$1,258,255 and \$1,156,766, respectively.

The Municipal Utilities Board of the City of Albertville operates the Electric, Water and Waste Water Systems. In order to stream-line operations, the Electric System bills and collects revenues for the Water and Waste Water Systems and remits those billings monthly. Vendor payments are consolidated whenever practical while maintaining the proper coding of expenses to each department. The payroll system is maintained by the Electric System with reimbursements from the Water and Waste Water Systems. In addition, each system purchases utility services from the other respective systems.

The Tennessee Valley Authority has advanced funds to the Electric System for the purpose of making conservation loans to customers. Any losses for non-payment of these loans are charged to TVA.

NOTE 12 - MAJOR CUSTOMERS

The Electric System had one customer to whom sales constitute 10% or more of total electric revenue. Information pertaining to this customer for the years ended June 30, 2021 and 2020 is shown below:

	<u>2021</u>	<u>2020</u>
Sales for the Year	\$ 4,989,321	\$ 5,213,342
Accounts Receivable at Year End	456,482	424,328

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - ELECTRIC SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 13 - COMMITMENTS

Effective August 28, 2019, the Electric System signed an amendment to its wholesale power agreement with the Tennessee Valley Authority (TVA), under which the Electric System is committed to purchase its electric power and energy requirements solely from TVA. The Electric System will receive a 3.1% credit on power billing from TVA, and the agreement requires a twenty-year notice to cancel. Customer retail rates are subject to review at the discretion of TVA.

NOTE 14 – RISK MANAGEMENT

Significant losses are covered by commercial insurance for all major programs and worker's compensation. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. There have been no significant reductions in insurance coverage.

NOTE 15 - SUBSEQUENT EVENTS

The Municipal Utilities Board of the City of Albertville evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. The Municipal Utilities Board of the City of Albertville evaluated subsequent events through October 26, 2021, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2021 AND 2020

SCHEDULES OF CHANGES IN THE BOARD'S NET PENSION LIABILITY AND RELATED RATIOS

Last Ten (10) Fiscal Years Ending September 30

	September 30, 2020	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015	September 30, 2014	September 30, 2013	September 30, 2012	September 30, 2011
Total Pension Liability										
Service Cost	\$ 445,568	\$ 428,717	\$ 407,409	\$ 382,828	\$ 398,212	\$ 379,498	\$ 364,766	\$ -	\$ -	\$ -
Interest	2,320,841	2,218,024	2,151,504	2,093,962	2,067,864	1,966,782	1,909,399	-	-	-
Changes of Benefit Terms	192,919	-	-	-	-	-	-	-	-	-
Differences Between										
Expected and Actual Experience	375,395	634,670	173,586	315,077	144,947	474,452	-	-	-	-
Changes of Assumptions	-	-	162,476	-	403,120	-	-	-	-	-
Benefit Payments, Including										
Refunds of Employee Contributions	(1,864,029)	(2,028,241)	(1,672,318)	(2,107,286)	(1,565,510)	(1,548,899)	(1,564,873)	-	-	-
Transfers Among Employers	16,688	-	(525)	(159,587)	(7,179)	-	-	-	-	-
Net Change in Total Pension Liability	1,487,382	1,253,170	1,222,132	524,994	1,441,454	1,271,833	709,292	-	-	-
Total Pension Liability - Beginning	31,072,802	29,819,632	28,597,500	28,072,506	26,631,052	25,359,219	24,649,927	-	-	-
Total Pension Liability - Ending	\$ 32,560,184	\$ 31,072,802	\$ 29,819,632	\$ 28,597,500	\$ 28,072,506	\$ 26,631,052	\$ 25,359,219	\$ -	\$ -	\$ -
Plan Fiduciary Net Position										
Contributions - Employer	\$ 943,044	\$ 875,592	\$ 860,087	\$ 825,654	\$ 797,996	\$ 743,007	\$ 692,260	\$ -	\$ -	\$ -
Contributions - Employee	352,769	322,885	311,959	297,978	281,741	274,597	265,949	-	-	-
Net Investment Income	1,040,119	472,984	1,616,653	2,076,089	1,574,278	187,246	1,751,570	-	-	-
Benefit Payments, Including										
Refunds of Employee Contributions	(1,864,029)	(2,028,241)	(1,672,318)	(2,107,286)	(1,565,510)	(1,548,899)	(1,564,873)	-	-	-
Administrative Expense	-	-	-	-	-	-	-	-	-	-
Transfers Among Employers	16,688	-	(525)	(159,587)	(7,179)	-	4,575	-	-	-
Net Change in Plan Fiduciary Net Position	488,591	(356,780)	1,115,856	932,848	1,081,326	(344,049)	1,149,481	-	-	-
Plan Fiduciary Net Position - Beginning	18,477,883	18,834,663	17,718,807	16,785,959	15,704,633	16,048,682	14,899,201	-	-	-
Plan Fiduciary Net Position - Ending	\$ 18,966,474	\$ 18,477,883	\$ 18,834,663	\$ 17,718,807	\$ 16,785,959	\$ 15,704,633	\$ 16,048,682	\$ -	\$ -	\$ -
Board's Net Pension Liability - Ending	\$ 13,593,710	\$ 12,594,919	\$ 10,984,969	\$ 10,878,693	\$ 11,286,547	\$ 10,926,419	\$ 9,310,537	\$ -	\$ -	\$ -
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.25%	59.47%	63.16%	61.96%	59.80%	58.97%	63.29%			
Covered-Employee Payroll *	\$ 6,830,182	\$ 6,262,360	6,028,705	5,860,040	5,620,854	5,443,506	5,296,453			
Board's Net Pension Liability as a Percentage of Covered-Employee Payroll	199.02%	201.12%	182.21%	185.64%	200.80%	200.72%	175.79%			

*Employer's covered-payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY2021, the measurement period is October 1, 2019 - September 30, 2020.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021 AND 2020

SCHEDULES OF EMPLOYER CONTRIBUTIONS

Last Ten (10) Fiscal Years Ending June 30

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
Actuarially Determined Contribution *	\$ 998,245	\$ 918,636	\$ 863,669	\$ 823,941	\$ 815,306	\$ 829,236	\$ 749,824	\$ -	\$ -	\$ -
Contributions in Relation to the Actuarially Determined Contribution *	998,245	918,636	863,669	823,941	815,306	829,236	749,824	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll **	\$ 6,887,643	\$ 6,477,556	6,216,723	5,968,322	5,822,269	5,752,545	5,415,852			
Contributions as a Percentage of Covered Employee Payroll	14.49%	14.18%	13.89%	13.81%	14.00%	14.42%	13.84%			

* The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statement.

** Employer's covered payroll for FY2021 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2021 were based on the September 30, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2020 to September 30, 2021:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percent Closed
Remaining Amortization Period	28.1 Years
Asset Valuation Method	Five Year Smoothed Market
Inflation	2.75%
Salary Increases	3.25 - 5.00%, Including Inflation
Investment Rate of Return	7.70%, Net of Pension Plan Investment Expense, Including Inflation

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2021 AND 2020

SCHEDULES OF CHANGES IN THE BOARD'S NET OTHER POST EMPLOYMENT BENEFIT (OPEB) LIABILITY AND RELATED RATIOS

Last Ten (10) Fiscal Years Ending September 30

	September 30, 2020	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015	September 30, 2014	September 30, 2013	September 30, 2012	September 30, 2011
Total OPEB Liability										
Service Cost at End of Year	\$ 126,225	\$ 90,329	\$ 98,998	\$ 109,139	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on the Total OPEB Liability	76,412	101,561	84,976	72,826	-	-	-	-	-	-
Changes of Benefit Terms	46,798	-	-	-	-	-	-	-	-	-
Differences Between										
Expected and Actual Experience	(182,331)	(3,242)	(29,176)	(100,303)	-	-	-	-	-	-
Changes of Assumptions or Other Inputs	123,074	361,137	(9,974)	(142,733)	-	-	-	-	-	-
Benefit Payments and										
Implicit Subsidy Credit	(111,456)	(101,958)	(89,143)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Net Change in Total OPEB Liability	78,722	447,827	55,681	(61,071)	-	-	-	-	-	-
Total OPEB Liability - Beginning	2,927,979	2,480,152	2,424,471	2,485,542	-	-	-	-	-	-
Total OPEB Liability - Ending	\$ 3,006,701	\$ 2,927,979	\$ 2,480,152	\$ 2,424,471	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan Fiduciary Net Position	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's Net OPEB Liability - Ending	\$ 3,006,701	\$ 2,927,979	\$ 2,480,152	\$ 2,424,471	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%						
Covered-Employee Payroll	\$ 6,632,043	\$ 5,922,723	\$ 5,922,723	5,520,856						
Board's Net OPEB Liability as a Percentage of Covered-Employee Payroll	45.34%	49.44%	41.88%	43.91%						

SUPPLEMENTARY INFORMATION

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - ELECTRIC SYSTEM

SCHEDULES OF OPERATING EXPENSE

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021		2,020	
	Amount	Percent of Operating Revenue	Amount	Percent of Operating Revenue
DISTRIBUTION EXPENSE				
Operation				
Supervision and Engineering	\$ 78,420	0.17 %	\$ 71,134	0.15 %
Overhead Lines	450,894	0.95	371,006	0.79
Maintenance of URG Services	36,770	0.08	22,746	0.05
Street Lighting and Signal System	40,692	0.09	41,857	0.09
Meters	52,284	0.11	57,872	0.12
Customer Installation	80,252	0.17	110,336	0.24
Miscellaneous	63,000	0.13	96,593	0.21
Rents	60,185	0.13	55,002	0.12
In-kind Services and Donations	9,293	0.02	29,322	0.06
	<u>871,790</u>	<u>1.84</u>	<u>855,868</u>	<u>1.83</u>
Maintenance				
Station Equipment and SCADA	63,133	0.13	72,537	0.16
Overhead and Underground Lines	305,954	0.65	283,276	0.61
Tree Trimming	482,316	1.02	430,987	0.92
Street Lighting and Signal System	-	-	1,423	0.00
Meters	9,388	0.02	6,138	0.01
	<u>860,791</u>	<u>1.82</u>	<u>794,361</u>	<u>1.70</u>
Total Distribution Expense	<u>1,732,581</u>	<u>3.66</u>	<u>1,650,229</u>	<u>3.53</u>
CUSTOMER ACCOUNTS EXPENSE				
Supervision	62,421	0.13	56,040	0.12
Meter Reading	78,303	0.17	104,706	0.22
Customer Records and Collection	547,954	1.16	546,071	1.17
	<u>688,678</u>	<u>1.46</u>	<u>706,817</u>	<u>1.51</u>
CUSTOMER SERVICES				
Customer Assistance	46,934	0.10	48,979	0.10
Miscellaneous	10,457	0.02	10,732	0.02
	<u>57,391</u>	<u>0.12</u>	<u>59,711</u>	<u>0.13</u>
SALES EXPENSE	<u>22,012</u>	<u>0.05</u>	<u>32,028</u>	<u>0.07</u>
ADMINISTRATIVE AND GENERAL EXPENSE				
Salaries	91,300	0.19	88,433	0.19
Office Supplies and Expense	89,956	0.19	103,893	0.22
Outside Services Employed	58,955	0.12	42,183	0.09
Property Insurance	8,252	0.02	11,435	0.02
Injuries and Damages	29,405	0.06	28,903	0.06
Employee Pensions and Benefits	1,018,609	2.15	907,485	1.94
Maintenance of General Property	91,852	0.19	92,882	0.20
Miscellaneous	53,409	0.11	54,860	0.12
	<u>1,441,738</u>	<u>3.05</u>	<u>1,330,074</u>	<u>2.84</u>
	<u>\$ 3,942,400</u>	<u>8.33 %</u>	<u>\$ 3,778,859</u>	<u>8.08 %</u>

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - ELECTRIC SYSTEM

SCHEDULES OF OPERATING STATISTICS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Number of Customers at End of Year		
Residential	8,173	8,162
General 0-50 KW	1,962	1,877
General >50 KW	247	245
Outdoor Lighting	68	67
	<u>10,450</u>	<u>10,351</u>
 Kilowatt Hours Purchased	 635,002,145	 617,001,731
Total Kilowatt Hours Sold and Used	<u>614,353,579</u>	<u>597,941,368</u>
Kilowatt Hours Unaccounted For	<u>20,648,566</u>	<u>19,060,363</u>
Percentage of Losses to Purchases	3.25%	3.09%

Unaudited