

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

AUDITED FINANCIAL STATEMENTS
June 30, 2024 and 2023



Municipal Utilities Board of the City of Albertville – Electric System
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June 30, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Municipal Utilities Board of the City of Albertville
Albertville, Alabama

Opinion

We have audited the accompanying financial statements of the Electric System enterprise fund of the Municipal Utilities Board of the City of Albertville (the "Electric System" or the "System") and for the year ended June 30, 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System, as of June 30, 2024, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements of the Electric System are intended to present the financial position, the changes in financial position, and where applicable, cash flows of only that portion of the Municipal Utilities Board of the City of Albertville that is 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, 2024 and 2023, the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



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Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the net pension liability and related ratios, the schedule of employer contributions, and the schedule of changes in the total OPB liability and related ratios, as listed in the table of contents, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 the consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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 assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's financial statements. The schedules of operating expenses, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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Other Information

Management is responsible for the other information included in this report. The other information comprises the schedules of operating expenses and operating statistics, as listed in the table of contents, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

The financial statements of the System as of June 30, 2023 were audited by other auditors whose opinion, dated October 31, 2023, was unmodified. We were not engaged to audit, review, or apply any procedures to the June 30, 2023 financial statements of the System and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2023 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2024 on our consideration of internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Darrell W. Wates, CPA, PC

Decatur, Alabama
October 31, 2024

*MANAGEMENT'S DISCUSSION AND
ANALYSIS
(Unaudited)*



Municipal Utilities Board of the City of Albertville – Electric System Management’s Discussion and Analysis (Unaudited)

June 30, 2024 and 2023

As management of the Municipal Utilities Board of the City of Albertville, we offer readers of the Electric System enterprise fund of the Municipal Utilities Board of the City of Albertville’s (the “Electric System” or the “System”) financial statements this narrative overview and analysis of the financial activities of the System for the fiscal year ended June 30, 2024. This discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the System’s financial activity, (c) identify changes in the System’s financial position (its ability to address the challenges of the coming and subsequent years), and (d) identify any material deviations from the financial plan (the budget).

Because the Management’s Discussion and Analysis (MD&A) is designed to focus on the current year’s activities, resulting changes and known facts, we encourage readers to consider the information presented here in conjunction with the System’s financial statements, which follow this section.

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.

Municipal Utilities Board of the City of Albertville – Electric System
Management’s Discussion and Analysis (Unaudited - Continued)

June 30, 2024 and 2023

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.

Electric System's Condensed Statement of Net Position

	Fiscal Year Ended		
	June 30, 2024	June 30, 2023	June 30, 2022
Assets			
Current Assets	\$ 26,177,198	\$ 24,965,585	\$ 26,259,123
Capital Assets	35,732,795	34,155,550	31,526,217
Other Assets	120,439	93,440	236,459
Total assets	62,030,432	59,214,575	58,021,799
Deferrd Outflows of Resources	1,826,196	2,458,974	1,609,042
Liabilities			
Current liabilities	10,281,445	9,101,222	10,033,059
Noncurrent liabilities	9,277,550	9,582,461	7,452,614
Total liabilities	19,558,995	18,683,683	17,485,673
Deferrd Inflows of Resources	337,814	390,561	1,022,642
Net position			
Net investment in capital assets	35,732,795	34,155,550	31,526,217
Unrestricted	8,227,024	8,443,755	9,596,309
Total net position	\$ 43,959,819	\$ 42,599,305	\$ 41,122,526

Municipal Utilities Board of the City of Albertville – Electric System
Management’s Discussion and Analysis (Unaudited - Continued)

June 30, 2024 and 2023

The Electric System’s financial position remains stable for 2024. Total assets and deferred outflows increased \$2,183,079 from 2023 due to two items. The first was an increase in interest income from overall bank increases in rates due to inflation and the overall federal rate increases and the fact that the System began utilizing a sweep account in the current year to maximize their interest earnings. The second was an increase in capital assets as additions exceeded net disposals and current year depreciation. Total liabilities and deferred inflows increased \$822,565 from 2023 primarily related to an increase in accounts payable related to timing of receipts and payments surrounding year end.

Total assets and deferred outflows increased \$2,042,708 from 2022 to 2023 due to an increase in capital assets. Total liabilities and deferred inflows increased \$565,929 from 2022 to 2023 mostly due to changes in the net pension liability, offset by a decrease in accounts payable carried at year end.

Total net position (total assets and deferred outflows minus total liabilities and deferred inflows) of \$43,959,819 reflects an increase of \$1,360,514 from 2023, a 3% increase. Of this amount, 81% is invested in net plant assets and 19% is unrestricted.

In 2023, total net position (total assets and deferred outflows minus total liabilities and deferred inflows) of \$42,599,305 which reflected an increase of \$1,476,779 from 2022, a 4% increase. Of this amount, 80% was invested in net plant assets and 20% was unrestricted.

Electric System’s Condensed Statement of Revenues, Expenses and Changes in Net Position

	Fiscal Year Ended		
	June 30, 2024	June 30, 2023	June 30, 2022
Operating revenues	\$ 55,371,517	\$ 58,494,082	\$ 54,350,644
Operating expenses	53,160,768	56,000,043	51,008,081
Operating income (loss)	2,210,749	2,494,039	3,342,563
Nonoperating revenues (expenses)	668,652	400,343	32,133
Tax equivalent payments	(1,518,887)	(1,417,603)	(1,275,569)
Change in net position	1,360,514	1,476,779	2,099,127
Net position - beginning of year	42,599,305	41,122,526	39,023,399
Net position - end of year	<u>\$ 43,959,819</u>	<u>\$ 42,599,305</u>	<u>\$ 41,122,526</u>

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

Municipal Utilities Board of the City of Albertville – Electric System Management’s Discussion and Analysis (Unaudited - Continued)

June 30, 2024 and 2023

The Electric System has five classes of sales: residential, commercial, industrial, street and athletic, and outdoor lighting. Total sales revenue decreased 5.6% in 2024. This was due to an overall reduction in the monthly fuel cost which decreased in contrast to increases over the past couple of years post COVID. The Electric System’s largest expense is purchased power. \$45,651,387 was used in 2024 to purchase power from TVA. Purchased power was 84% of sales revenue.

Total operating expense, excluding purchased power, increased \$712,850 in 2024. Operations and maintenance of plant expense increased \$263,645 due to an increase in line crew performing more checks and maintenance and additional maintenance related to an increase from storm damages in the current year. General and administrative expense increased \$168,135 due to an increase in GASB 68 Pension Expense and an increase in bank charges, which had previously not been charged. Depreciation expense increased \$285,908 due to an increase in capital additions in addition to continued depreciation on existing capital assets which primarily have a significant amount of useful life remaining. 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.

For the fiscal year ending in 2023, total sales revenue increased 7.8% due to increased monthly fuel cost adjustments. As noted previously, the Electric System’s largest expense is purchased power. \$49,203,512 was used in 2023 to purchase power from TVA. Purchased power was 84% of sales revenue.

Total operating expense, excluding purchased power, increased \$385,786 in 2023. General and administrative expense increased \$527,973 due to an increase in GASB68 Pension Expense. Depreciation expense increased \$87,048 due to an increase in capital additions. Customer accounts expense decreased \$63,984 due to a decrease in payroll charged to expense and a decrease in credit card processing fees. Distribution and maintenance expense decreased \$165,251 mostly due to a decrease 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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Total Electric Plant for 2024 (before depreciation, retirements, and reclassifications) increased \$3,583,898. 41% of this increase, \$1,482,879, was invested in fifty, one-phase and twenty-six, three-phase transformers. \$550,033 was invested in transportation equipment, which included two pickup trucks and two bucket trucks. Poles, towers, and fixtures increased \$449,548 while, \$307,188 was invested in overhead conductors and devices. Meters increased \$212,612 due to the addition of 608 AMI meters. 27 new overhead services were installed, and 112 underground services were installed for a total cost of \$179,660. Communication equipment increased \$145,303 due to voltage regulation, two new line locators and fiber optic installations, while \$119,142 was added to security lights.

Station Equipment increased \$36,473. Office equipment and furniture increased \$32,969 due to the purchase of two new servers. Power operated equipment increased \$28,569, which included a utility vehicle and zero turn mower, while \$27,297 was invested in street lighting. Structures increased \$7,224 due to a new HVAC unit at the warehouse, while \$5,000 was invested in Tools and Shop equipment.

Municipal Utilities Board of the City of Albertville – Electric System Management’s Discussion and Analysis (Unaudited - Continued)

June 30, 2024 and 2023

Total Electric Plant for 2023 (before depreciation, retirements, and reclassifications) increased \$7,906,373. 49% of this increase, \$3,903,339, was invested in station equipment due to the construction of the Mathis Mill Substation. \$1,185,232 was invested in overhead conductors and devices, regulator stations, and upgrades to new line equipment and devices. Poles, towers, and fixtures increased \$1,044,472 due to a project that rerouted line from North Albertville substation and also replaced wood poles with concrete poles along the same line. Line Transformers increased \$942,300 due to the purchase of various sizes of transformers. 55 new overhead services were installed, and 61 underground services were installed for a total cost of \$205,064. \$158,640 was invested in transportation equipment which included three new pickup trucks, while \$145,610 was added to security lights. Meters increased \$90,067, while \$83,397 was invested in street lighting. Power operated equipment increased \$76,803 due to the purchase of a tractor, and soft wash equipment. Communication equipment increased \$71,449 due to two new line locators and fiber optic installations.

Debt Administration

The Electric system currently has no warrants payable and had no outstanding debt as of June 30, 2024 or 2023.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The Capital Expenditures Budget for 2025 has been projected at \$9,565,530. These expenditures will include:

\$2,650,000	– Substation Equipment – District Substation upgrade and Mathis Mill storage building.
\$1,835,500	– Conductors and Devices – includes a project to upgrade 70,000 feet of wire.
\$1,658,000	– Transformers – includes 197 single phase transformers and 15 three phase transformers
\$1,090,250	– Poles, Towers & Fixtures – includes 116 concrete poles and 155 wood poles.
\$820,000	– Transportation Equipment – includes a bucket truck, digger derrick, and two pickup trucks.
\$442,680	– Meters – includes 1,216 AMI meters.
\$285,000	– Services – approximately 30 overhead and 125 underground services.
\$252,500	– Street Lights – includes 36 poles and 220 lights.
\$241,600	– Security Lights – approximately 320 security lights of various wattage and 39 poles.
\$85,000	– Structures & Improvements – includes warehouse painting and flooring.
\$60,000	– Power Operated Equipment – includes a forklift and miscellaneous repairs.
\$55,000	– Office and Computer Equipment – includes warehouse furniture and miscellaneous items.
\$50,000	– Communications Equipment – includes fiber expansion.
\$20,000	– Lab Equipment – meter testing equipment.
\$20,000	– Tools, Shop & Garage Equipment – miscellaneous tools.

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 cutbacks 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.

Municipal Utilities Board of the City of Albertville – Electric System
Management’s Discussion and Analysis (Unaudited - Continued)
June 30, 2024 and 2023

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.

CONTACTING THE SYSTEM’S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the System’s finances for all those with an interest in the System’s finances and to demonstrate the System’s accountability for the funds it receives. Questions concerning any information provided in this report or requests for any additional information should be directed to the General Manager/CEO and Chief Financial Officer of the Municipal Utilities Board of Albertville, 210 West Main Street, Albertville, Alabama 35950.



Elden Chumley
General Manager/CEO
Municipal Utilities Board of Albertville



Paige Cagle
Chief Financial Officer
Municipal Utilities Board of Albertville

*BASIC
FINANCIAL STATEMENTS*



Municipal Utilities Board of the City of Albertville – Electric System
 Statements of Net Position
 June 30, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 16,899,253	\$ 16,664,946
Receivables - Customers	7,654,946	6,917,153
Receivables - Other	261,819	254,591
Materials and Supplies	1,321,238	1,022,830
Prepaid Expenses	22,102	15,040
Noncurrent Assets, Due in One Year:		
Loans Receivable	17,840	91,025
Total Current Assets	26,177,198	24,965,585
Noncurrent Assets		
Capital Assets:		
Utility Plant in Service	66,143,187	62,853,207
Land and Land Rights	884,048	884,125
Construction in Progress	598,207	31,700
Less: Accumulated Depreciation	(31,892,647)	(29,613,482)
Total Capital Assets, Net	35,732,795	34,155,550
Other Noncurrent Assets	120,439	93,440
Total Noncurrent Assets	35,853,234	34,248,990
Total Assets	62,030,432	59,214,575
Deferred Outflows of Resources		
Deferred Outflows of Resources Related to Pensions	1,656,967	2,294,163
Deferred Outflows of Resources Related to OPEB	169,229	164,811
Total Deferred Outflows of Resources	1,826,196	2,458,974
Total Assets and Deferred Outflows of Resources	\$ 63,856,628	\$ 61,673,549

The accompanying notes are an integral part of this statement.

Liabilities	2024	2023
Current Liabilities:		
Accounts Payable	\$ 6,733,296	\$ 5,709,938
Accrued Payroll Liabilities	115,901	112,232
Customer Deposits	3,151,038	2,970,019
Other Current Liabilities	121,652	111,532
Noncurrent Liabilities, Due in One Year:		
Compensated Absences	139,425	138,418
Loans Payable	20,133	59,083
Total Current Liabilities	<u>10,281,445</u>	<u>9,101,222</u>
Noncurrent Liabilities:		
Net Pension Liability	7,788,158	8,144,908
Total OPEB Liability	1,280,255	1,229,925
Compensated Absences	209,137	207,628
Total Noncurrent Liabilities	<u>9,277,550</u>	<u>9,582,461</u>
Total Liabilities	<u>19,558,995</u>	<u>18,683,683</u>
Deferred Inflows of Resources		
Deferred Inflows of Resources Related to Pensions	73,715	91,546
Deferred Inflows of Resources Related to OPEB	264,099	299,015
Total Deferred Inflows of Resources	<u>337,814</u>	<u>390,561</u>
Net Position		
Net Investment in Capital Assets	35,732,795	34,155,550
Unrestricted	8,227,024	8,443,755
Total Net Position	<u>43,959,819</u>	<u>42,599,305</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 63,856,628</u>	<u>\$ 61,673,549</u>

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, 2024 and 2023

	2024	2023
Operating Revenue		
Sales		
Residential Sales	\$ 12,951,611	\$ 12,756,593
Street and Outdoor Lighting and Athletic	776,058	806,114
General Power - 50kw and Under	4,068,976	4,184,175
General Power - 50kw and Over	36,646,424	39,867,910
Total Sales	54,443,069	57,614,792
Other Operating Revenues:		
Customers' Forefited Discounts and Penalties	154,089	165,844
Other Revenues	774,359	713,446
Total Operating Revenues	55,371,517	58,494,082
Operating Expenses		
Cost of Power	45,651,387	49,203,512
Operations and Maintenance of Plant	2,094,416	1,830,771
Administrative and General	2,209,974	2,041,839
Customer Accounts	728,539	733,377
Depreciation	2,476,452	2,190,544
	53,160,768	56,000,043
Operating income (loss)	2,210,749	2,494,039
Nonoperating Revenues (Expenses)		
Interest income	739,836	402,423
Interest expense	(71,184)	(2,080)
Total Nonoperating Revenues (Expenses)	668,652	400,343
Change in Net Position Before Tax Equivalents Payments	2,879,401	2,894,382
Tax Equivalents Payments	(1,518,887)	(1,417,603)
Change in Net Position	1,360,514	1,476,779
Net Position - Beginning of Year, as restated	42,599,305	41,122,526
Net Position - End of Year	\$ 43,959,819	\$ 42,599,305

The accompanying notes are an integral part of this statement.

Municipal Utilities Board of the City of Albertville – Electric System
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	2024	2023
Operating Activities		
Cash Received from Customers	\$ 53,705,276	\$ 58,258,708
Cash Paid to Suppliers	(47,318,314)	(50,151,198)
Cash Paid to Employees	(2,252,273)	(3,760,697)
Other operating cash receipts	923,288	874,652
Net Cash Provided By Operating Activities	<u>5,057,977</u>	<u>5,221,465</u>
Noncapital Financing Activities		
Payments from Heat Pump Program	36,528	65,342
Principal Payments from Note Receivable - Water System	36,657	86,466
Interest from Note Receivable - Water System	210	2,053
Payments for Heat Pump Program	-	(69,623)
Payments for Electric System Deposits	109,835	(13,348)
Tax Equivalent Payments	(1,518,887)	(1,417,603)
Net Cash (Used) Provided By Noncapital Financing Activities	<u>(1,335,657)</u>	<u>(1,346,713)</u>
Capital and Related Financing Activities		
Purchase and Construction of Capital Assets	(4,225,571)	(4,999,744)
Net Cash Used By Capital and Related Financing Activities	<u>(4,225,571)</u>	<u>(4,999,744)</u>
Investing Activities		
Interest received	737,558	400,370
Net Cash (Used) Provided By Investing Activities	<u>737,558</u>	<u>400,370</u>
Net Increase (Decrease) in Cash and Cash Equivalents	234,307	(724,622)
Cash and cash equivalents, beginning	<u>16,664,946</u>	<u>17,389,568</u>
Cash and Cash Equivalents, Ending	<u>\$ 16,899,253</u>	<u>\$ 16,664,946</u>

The accompanying notes are an integral part of this statement.

	2024	2023
Operating Income (loss)	\$ 2,210,749	\$ 2,494,039
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,609,016	2,370,411
(Gain) Loss on Disposition of Capital Assets	(212,660)	15,708
Decrease (increase) in operating assets and Increase (decrease) in operating liabilities:		
Receivables	(698,835)	534,019
Inventory	(298,408)	28,386
Prepaid Expenses	(7,228)	(4,638)
Accounts Payable and Accrued Expenses	1,000,713	(1,027,977)
Pension and OPEB Related Deferrals and Liabilities	273,611	717,328
Customer Deposits	181,019	94,189
Net Cash Provided By Operating Activities	<u>\$ 5,057,977</u>	<u>\$ 5,221,465</u>
Reconciliation of Depreciation Totals to Statements of Cash Flow		
Depreciation Expense	\$ 2,476,452	\$ 2,190,544
Depreciation of Transportation Equipment Included in Distribution Expenses	<u>132,564</u>	<u>179,867</u>
Total Depreciation	<u>\$ 2,609,016</u>	<u>\$ 2,370,411</u>

The accompanying notes are an integral part of this statement.

*NOTES TO THE
FINANCIAL STATEMENTS*



Municipal Utilities Board of the City of Albertville – Electric System
Notes to Financial Statements
June 30, 2024 and 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES REPORTING ENTITY

REPORTING ENTITY

This report includes the financial statements of the Electric System of the Municipal Utilities Board of the City of Albertville. It does not include the following other enterprise funds of the Municipal Utilities Board of the city of Albertville.

Water System
Waste Water System

The above-mentioned funds must be considered when evaluating the financial position of the System and the results of its operations and changes in financial position taken as a whole. The financial statements of other Systems may be obtained by contacting the office of the Municipal Utilities Board of the City of Albertville, Alabama.

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, 2024 were as follows:

<u>Board of Directors</u>	<u>Management</u>
Paul McAbee, Chairman	Elden Chumley, General Manager/Chief Executive Officer
Kasey Culbert, Member	
Keith McGee, Member	

NATURE OF BUSINESS

The operations of the Electric System primarily consist of the sale and distribution of electricity to citizens of the City of Albertville, Alabama. The Electric System is regulated by the Tennessee Valley Authority (“TVA”).

ACCOUNTING POLICIES

The Electric System maintains its accounting records in accordance with the “Federal Energy Regulatory Commission (“FERC”) Uniform System of Accounts.” As a result, the application of accounting principles generally accepted in the United States of America differs in certain respects from the application of those principles by non-regulated enterprises. Such differences primarily concern the recognition of gains and losses on the retirement of assets and the application of aid-to-construction revenue to work-in-progress. These differences between FERC and GAAP are not material. Other than these differences, the Electric System follows accounting standards set by the Governmental Accounting Standards Board, commonly referred to as the “GASB.” The GASB sets accounting principles generally accepted in the United States of America (“GAAP”) that the Electric System follows.

Municipal Utilities Board of the City of Albertville – Electric System
Notes to Financial Statements (Continued)
June 30, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Electric System uses the accrual basis of accounting. Under this basis, revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred, if measurable.

RECOGNITION OF REVENUE AND COST

The Electric System records service revenue on the accrual basis of accounting. Amounts are recorded in the period they are earned. The Electric System records purchased power under the accrual method of accounting. Amounts are recorded in the period that they are used.

ACCOUNTING 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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents may include cash on hand, demand deposits, money market, and savings accounts, and short-term investments with original maturities of three months or less, excluding restricted funds, which are carried at fair value (level 1).

ACCOUNTS RECEIVABLES - TRADE

The Electric System extends credit to its customers who are primarily located in Albertville, Alabama. Trade receivables are carried at the original invoice amounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. Doubtful accounts related to trade receivables were insignificant at June 30, 2024 and 2023.

INVENTORIES

Inventories of materials and supplies are priced at the lower of average cost or net realizable value, with cost being determined by the average cost method.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Utilities have three items that qualify for reporting in this category. They are (i) the deferred outflow of resources related to pensions, (ii) the deferred outflow of resources related to OPEB, and (iii) the unamortized deferred loss on debt defeasance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Utilities have two items that qualify for reporting in this category. They are (i) the deferred inflow of resources related to pensions and (ii) the deferred inflow of resources related to OPEB.

UTILITY PLANT

Utility plant is stated at original cost less accumulated depreciation. Plant additions are constructed by employees and outside contractors depending on the type of work and overhead costs. While projects are in progress, costs are accumulated in the construction work-in-progress account. For the Electric System, Federal Energy Regulatory Commission (“FERC”) guidelines require that aid-to-construction revenues be credited to work-in-progress, and the cost of the completed project be recorded net of the aid-to-construction revenue.

Other additions to the utility plant accounts include purchased items capitalized based on acquisition costs over \$5,000. Additions, improvements, and expenditures for repairs and maintenance that significantly add to the productivity or extend the economic life of the assets are capitalized. Other expenditures for repairs and maintenance are charged to operations.

Depreciation has been applied on a straight-line basis as follows:

Distribution Plant:		General Plant:	
Land and Land Rights	2.50%	Land and Land Rights	0.00%
Station Equipment	4.00%	Structures and Improvements	3.00%
Poles Towers and Fixtures	4.75%	Office Equipment/Furniture	10.00%
Overhead Conductors/Devices	2.75%	Transportation Equipment	12.00%
Line Transformers	2.50%	Stores Equipment	10.00%
Services	4.50%	Power Operated Equipment	10.00%
Meters - Regular	5.00%	Tools, Shop & Garage Equipment	8.00%
Meters - AMI	5.00%	Laboratory Equipment	10.00%
Installation on Customers' Premises	8.00%	Communication Equipment	10.00%
Street Lighting/Signal Systems	8.00%		

When property subject to depreciation is retired or otherwise disposed of, the original cost and accumulated depreciation is removed from the appropriate accounts at original cost, together with cost of removal. Salvage value is credited to the accumulated depreciation accounts. The Electric System charges maintenance and repairs, including the cost of renewals or minor items of property, to maintenance expense accounts. Placements of property (exclusive of minor items property) are capitalized to utility plant accounts. These accounting policies are in accordance with FERC guidelines for the Electric System. Differences between FERC guidelines and GAAP are not material.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCRUED ANNUAL LEAVE AND SICK LEAVE

Employees of the Electric System are provided various vacation and sick leave benefits and are accrued in the Electric System’s financial statements. The annual leave policy of the Electric System allows each employee to receive up to twenty days of annual leave, depending on the employee’s seniority. All regular status employees may accumulate annual leave and carry it over to the next year up to a total maximum of 40 hours. Accumulated annual leave in excess of 40 hours will be forfeited. The accrued annual leave, based on each employee’s accumulated hours, at June 30, 2024 and 2023, was as follows:

	<u>2024</u>	<u>2023</u>
Accrued vacation	\$ 239,777	\$ 241,970

The sick leave policy provides that accumulated sick leave may be paid to employees at a rate equal to one hour’s pay for every eight or twelve hours accumulated, depending on hire date. The right to this benefit is not vested until the employee meets the defined requirements. The accrued sick leave, based on each employee’s accumulated hours, at June 30, 2024 and 2023, was as follows:

	<u>2024</u>	<u>2023</u>
Accrued sick	\$ 108,785	\$ 104,076

NET POSITION

Net position of the Electric System is classified in the following three components:

Net Investment in Capital Assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation, reduced by the current balances of any outstanding borrowing or deferred inflows of resources used to finance the purchase, construction, or improvement of the assets and increased by current balances of deferred outflows of resources related to those assets.

Restricted – consists of noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, laws or regulations of other governments, or contributors external to the Utilities Board, including amounts deposited with trustees as required by revenue bond indentures, discussed in Note 2.

Unrestricted – consists of the remaining net position that does not meet the definition of net investment in capital assets, net of related debt, or restricted. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the Electric System’s general policy to use restricted resources first.

Municipal Utilities Board of the City of Albertville – Electric System
Notes to Financial Statements (Continued)
June 30, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUES AND EXPENSES

Operating revenues consist primarily of revenues generated by the sale of electricity. Nonoperating revenues consist of revenues generated by activities other than the direct operation of the system. Operating expenses consist of all expenses incurred to provide electrical services, other than financing costs. Nonoperating expenses consist of interest expense and other expenses not directly related to providing electrical services.

STATEMENTS OF CASH FLOW

For purposes of the Statements of Cash Flow, the Electric System consider all highly liquid investments (excluding all restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

TAX EQUIVALENT PAYMENTS

The Electric System is operated as an official System of the Municipal Utilities Board of the City of Albertville and is not subject to either federal or state income taxes. However, the Electric System makes tax equivalent payments to the City of Albertville General Fund. The tax and tax equivalent payments to the City of Albertville during fiscal years 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Tax Equivalent Payments	\$ 1,518,887	\$ 1,417,603

PENSIONS

The Employees' Retirement System of Alabama (the "Plan") 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 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.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Municipal Utilities Board of the City of Albertville provides other postemployment benefits to retirees who meet certain requirements. The total OPEB liability, as well as deferred outflows and deferred inflows of resources are based upon an actuarial valuation.

Municipal Utilities Board of the City of Albertville – Electric System
Notes to Financial Statements (Continued)
June 30, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SUBSEQUENT EVENTS

In preparing these financial statements, the Electric System has evaluated events and transactions for potential recognition or disclosure through the date of the auditor’s report, which was the date the financial statements were available to be issued.

NOTE 2 - DEPOSITS

The Electric System’s cash and cash equivalents at June 30, 2024 and 2023, were comprised of the following:

	<u>2024</u>	<u>2023</u>	<u>Risks</u>
Petty Cash	\$ 3,775	\$ 3,775	N/A
Demand Deposits	11,516,847	11,522,463	Custodial Credit
Non-Negotiable Certificates of Deposit	<u>5,378,631</u>	<u>5,138,708</u>	Custodial Credit
Total Cash and Cash Equivalents per Statement of Net Position	<u>\$ 16,899,253</u>	<u>\$ 16,664,946</u>	

CUSTODIAL CREDIT RISK

All of the Electric System’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.

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Municipal Utilities Board of the City of Albertville – Electric System
Notes to Financial Statements (Continued)
June 30, 2024 and 2023

NOTE 3 - CAPITAL ASSETS

Information related to property, plant and equipment of the Authority for the year ended June 30, 2024 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:				
Distribution Plant:				
Land and Land Rights	\$ 527,621	\$ -	\$ (77)	\$ 527,544
General Plant:				
Land and Land Rights	356,504	-	-	\$ 356,504
Other Capital Assets:				
Construction Work-In-Progress	31,700	566,507	-	598,207
Total Capital Assets Not Being Depreciated	915,825	566,507	(77)	1,482,255
Capital Assets Being Depreciated:				
Distribution Plant:				
Station Equipment	15,179,960	36,473	-	15,216,433
Poles Towers and Fixtures	9,200,545	449,548	(78,699)	9,571,394
Overhead Conductors/Devices	9,393,345	307,188	(35,699)	9,664,834
Line Transformers	8,642,407	1,482,879	(57,278)	10,068,008
Services	3,533,114	179,660	(7,213)	3,705,561
Meters	2,859,256	212,612	(57,655)	3,014,213
Security Lights	1,830,093	119,143	(38,714)	1,910,522
Street Lighting/Signal Systems	1,359,103	27,297	(18,661)	1,367,739
Total Distribution Plant	51,997,823	2,814,800	(293,919)	54,518,704
General Plant:				
Structures and Improvements	3,937,801	7,224	-	3,945,025
Office Equipment/Furniture	545,109	32,969	-	578,078
Transportation Equipment	3,590,435	550,034	-	4,140,469
Stores Equipment	75,321	-	-	75,321
Power Operated Equipment	381,418	28,569	-	409,987
Tools, Shop & Garage Equipment	158,371	5,000	-	163,371
Lab Equipment	82,002	-	-	82,002
Communication Equipment	2,084,927	145,303	-	2,230,230
Total General Plant	10,855,384	769,099	-	11,624,483
Total Capital Assets Being Depreciated	62,853,207	3,583,899	(293,919)	66,143,187
Less Accumulated Depreciation for:				
Distribution Plant:				
Station Equipment	(6,752,226)	(607,829)	-	(7,360,055)
Poles Towers and Fixtures	(5,127,558)	(444,506)	139,184	(5,432,880)
Overhead Conductors/Devices	(2,529,110)	(260,575)	17,578	(2,772,107)
Line Transformers	(1,726,142)	(229,242)	26,298	(1,929,086)
Services	(2,899,143)	(162,829)	9,340	(3,052,632)
Meters	(732,415)	(143,718)	57,655	(818,478)
Security Lights	(1,497,211)	(149,231)	54,951	(1,591,491)
Street Lighting/Signal Systems	(1,072,860)	(109,161)	24,845	(1,157,176)
Total Distribution Plant	(22,336,665)	(2,107,091)	329,851	(24,113,905)
General Plant:				
Structures and Improvements	(1,245,014)	(118,224)	-	(1,363,238)
Office Equipment/Furniture	(545,109)	(24,087)	-	(569,196)
Transportation Equipment	(3,541,892)	(93,664)	-	(3,635,556)
Stores Equipment	(70,003)	(5,318)	-	(75,321)
Power Operated Equipment	(99,947)	(38,568)	-	(138,515)
Tools, Shop & Garage Equipment	(158,371)	(5,000)	-	(163,371)
Lab Equipment	(77,755)	(4,247)	-	(82,002)
Communication Equipment	(1,538,726)	(212,817)	-	(1,751,543)
Total General Plant	(7,276,817)	(501,925)	-	(7,778,742)
Total Accumulated Depreciation	(29,613,482)	(2,609,016)	329,851	(31,892,647)
Total Capital Assets Being Depreciated, Net	33,239,725	974,883	35,932	34,250,540
Total Capital Assets, Net	\$ 34,155,550	\$ 1,541,390	\$ 35,855	\$ 35,732,795

Municipal Utilities Board of the City of Albertville – Electric System
Notes to Financial Statements (Continued)
June 30, 2024 and 2023

NOTE 3 - CAPITAL ASSETS (Continued)

Information related to property, plant and equipment of the Authority for the year ended June 30, 2023 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:				
Distribution Plant:				
Land and Land Rights	\$ 527,698	\$ -	\$ (77)	\$ 527,621
General Plant:				
Land and Land Rights	356,504	-	-	356,504
Other Capital Assets:				
Construction Work-In-Progress	3,055,505	4,495,069	(7,518,874)	31,700
Total Capital Assets Not Being Depreciated	3,939,707	4,495,069	(7,518,951)	915,825
Capital Assets Not Being Depreciated:				
Distribution Plant:				
Station Equipment	11,681,723	3,903,339	(405,102)	15,179,960
Poles Towers and Fixtures	8,323,731	1,044,472	(167,658)	9,200,545
Overhead Conductors/Devices	8,269,266	1,185,232	(61,153)	9,393,345
Line Transformers	7,814,778	942,300	(114,671)	8,642,407
Services	3,340,982	210,809	(18,677)	3,533,114
Meters	2,769,188	90,068	-	2,859,256
Security Lights	1,741,038	146,592	(57,537)	1,830,093
Street Lighting/Signal Systems	1,293,588	84,730	(19,215)	1,359,103
Total Distribution Plant	45,234,294	7,607,542	(844,013)	51,997,823
General Plant:				
Structures and Improvements	3,937,801	-	-	3,937,801
Office Equipment/Furniture	545,109	-	-	545,109
Transportation Equipment	3,500,556	158,640	(68,761)	3,590,435
Stores Equipment	75,321	-	-	75,321
Power Operated Equipment	304,615	76,803	-	381,418
Tools, Shop & Garage Equipment	158,371	-	-	158,371
Lab Equipment	82,002	-	-	82,002
Communication Equipment	2,024,526	71,449	(11,048)	2,084,927
Total General Plant	10,628,301	306,892	(79,809)	10,855,384
	55,862,595	7,914,434	(923,822)	62,853,207
Less Accumulated Depreciation for:				
Distribution Plant:				
Station Equipment	(6,689,571)	(467,757)	405,102	(6,752,226)
Poles Towers and Fixtures	(5,034,665)	(402,673)	309,780	(5,127,558)
Overhead Conductors/Devices	(2,341,247)	(233,925)	46,062	(2,529,110)
Line Transformers	(1,646,047)	(206,979)	126,884	(1,726,142)
Services	(2,764,595)	(153,017)	18,469	(2,899,143)
Meters	(592,029)	(140,386)	-	(732,415)
Security Lights	(1,424,404)	(142,832)	70,025	(1,497,211)
Street Lighting/Signal Systems	(989,689)	(105,456)	22,285	(1,072,860)
Total Distribution Plant	(21,482,247)	(1,853,025)	998,607	(22,336,665)
General Plant:				
Structures and Improvements	(1,126,880)	(118,134)	-	(1,245,014)
Office Equipment/Furniture	(545,109)	-	-	(545,109)
Transportation Equipment	(3,420,285)	(144,580)	22,973	(3,541,892)
Stores Equipment	(62,471)	(7,532)	-	(70,003)
Power Operated Equipment	(64,583)	(35,364)	-	(99,947)
Tools, Shop & Garage Equipment	(158,371)	-	-	(158,371)
Lab Equipment	(69,555)	(8,200)	-	(77,755)
Communication Equipment	(1,346,584)	(203,576)	11,434	(1,538,726)
Total General Plant	(6,793,838)	(517,386)	34,407	(7,276,817)
	(28,276,085)	(2,370,411)	1,033,014	(29,613,482)
Total Capital Assets Being Depreciated, Net	27,586,510	5,544,023	109,192	33,239,725
Total Capital Assets, Net	\$ 31,526,217	\$ 10,039,092	\$ (7,409,759)	\$ 34,155,550

Municipal Utilities Board of the City of Albertville – Electric System
Notes to Financial Statements (Continued)
June 30, 2024 and 2023

NOTE 4 - LONG-TERM RECEIVABLES

Energy Right Loans

Under the Tennessee Valley Authority's (or "TVA") Energy Right Program, the Electric System receives advances from TVA and loans these funds to customers to cover the cost of energy conservation improvements. The loans to customers are interest-bearing and are generally repaid over 36 to 120 months. 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 the loans receivable at June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Energy Rights Receivable	\$ 17,840	\$ 54,368

Note Receivable – Water System

The Electric System sold a portion of the Office Land, Building and Equipment to the Water and Waste Water Systems during the year ended June 30, 2014. The Electric System financed for the Water System the sale amount for the capital assets over 10 years at 2.45% with monthly payments of \$7,376.31 beginning December 1, 2013. A summary of the note receivable at June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Notes Receivable - Water	\$ -	\$ 36,657

NOTE 5 – NONCURRENT LIABILITIES

As discussed in Note 4, the Electric System entered into a contract with the TVA to jointly establish a home energy conservation program. The Electric System has energy conservation loans due from customers participating in the program. The energy conservation loans are due in monthly installments based on each customers' installment agreement. TVA advanced funds to the Electric System for the program. These advances are included in direct borrowings of the Electric System. At June 30, 2024 and 2023, the balance of \$20,133 and \$59,083 payable was classified as fully current, respectively.

Municipal Utilities Board of the City of Albertville – Electric System
Notes to Financial Statements (Continued)
June 30, 2024 and 2023

NOTE 5 – NONCURRENT LIABILITIES (Continued)

The following is a summary of the Electric System's noncurrent liability transactions for the fiscal year ended June 30, 2024:

	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due Within One Year
Debt from Direct Borrowings	\$ 59,083	\$ 2,170	\$ (41,120)	\$ 20,133	\$ 20,133
Total Noncurrent Debt	59,083	2,170	(41,120)	20,133	20,133
Compensated Absences	346,046	145,360	(142,844)	348,562	139,425
Net Pension Liability	8,144,908	1,612,206	(1,968,956)	7,788,158	-
Total OPEB Liability	1,229,925	99,616	(49,286)	1,280,255	-
Total Noncurrent Liabilities	<u>\$ 9,779,962</u>	<u>\$ 1,859,352</u>	<u>\$ (2,202,206)</u>	<u>\$ 9,437,108</u>	<u>\$ 159,558</u>

The following is a summary of the Electric System's noncurrent liability transactions for the fiscal year ended June 30, 2023:

	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due Within One Year
Debt from Direct Borrowings	\$ 128,706	\$ -	\$ (69,623)	\$ 59,083	\$ 59,083
Total Noncurrent Debt	128,706	-	(69,623)	59,083	59,083
Compensated Absences	363,399	128,007	(145,360)	346,046	138,418
Net Pension Liability	5,940,613	2,803,992	(599,697)	8,144,908	-
Total OPEB Liability	1,234,879	168,360	(173,314)	1,229,925	-
Total Noncurrent Liabilities	<u>\$ 7,667,597</u>	<u>\$ 3,100,359</u>	<u>\$ (987,994)</u>	<u>\$ 9,779,962</u>	<u>\$ 197,501</u>

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NOTE 6 – DEFINED BENEFIT 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 15 trustees. Act 390 of the Legislature of 2021 created two additional representatives to the ERS Board of Control Effective October 1, 2021. 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 15 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) Eight 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. One vested active employee of a participating municipality or city in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - d. One vested active employee of a participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - e. One vested active employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - f. One vested active employee of a participating employer other than a municipality, city or county 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 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

Municipal Utilities Board of the City of Albertville – Electric System
Notes to Financial Statements (Continued)
June 30, 2024 and 2023

NOTE 6 – DEFINED BENEFIT PENSION PLAN - Continued

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 formula method. 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 up to 80% of their average final compensation. 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 608 employers adopted Act 2019-132 as of September 30, 2022.

Act 316 of the Legislature of 2019 allows employees at the time of retirement to receive a partial lump sum (PLOP) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of partial lump sum distribution selected.

The ERS serves approximately 884 local participating employers. The ERS membership includes approximately 113,079 participants. As of September 30, 2023, membership consisted of:

	Employee Retirement System	Albertville MUB MUB
Retired members of their beneficiaries currently receiving benefits	31,481	59
Vested inactive members	2,350	3
Non-vested inactive members	20,556	3
Active members	58,659	100
Post-DROP retired members still in active service	33	-
	113,079	165

NOTE 6 – DEFINED BENEFIT PENSION PLAN - Continued

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 certified law enforcement, correctional officers', and firefighters' member contribution rates 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 preretirement death benefit, and administrative expenses of the Plan. For the year ended June 30, 2024, the System's active employee contribution rate was 5.0% (Tier 1) and 7.5% (Tier 2) of covered employee payroll, and the System's average contribution rate to fund the normal and accrued liability costs was 14.80% (Tier 1) and 13.14% (Tier 2) of covered employee payroll. These required contribution rates are based upon the actuarial valuation as of September 30, 2021, 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.

Municipal Utilities Board of the City of Albertville – Electric System
Notes to Financial Statements (Continued)
June 30, 2024 and 2023

NOTE 6 – DEFINED BENEFIT PENSION PLAN - Continued

Total employer contributions to the pension plan from the Systems were \$1,126,596 and \$1,105,314 for the years ended June 30, 2024 and 2023, respectively.

	June 30, 2024			
	Electric	Water	Waste Water	Total
Employer Contributions	\$ 362,455	\$ 385,141	\$ 379,000	\$ 1,126,596

	June 30, 2023			
	Electric	Water	Waste Water	Total
Employer Contributions	\$ 495,371	\$ 303,936	\$ 306,007	\$ 1,105,314

Net Pension Liability

The System's June 30, 2024 net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2022, rolled forward to September 30, 2023, using standard roll-forward techniques as shown in the following table:

	Expected	Actual Before Plan Changes	Actual After Plan Changes
(a) Total Pension Liability as of September 30, 2022	\$ 36,442,243	\$ 37,120,953	\$ 37,120,953
(b) Discount Rate	7.45%	7.45%	7.45%
(c) Entry Age Normal Cost for October 1, 2022 - September 30, 2023	614,802	614,802	614,802
(d) Transfers Among Employees	-	-	-
(e) Actual Benefit Payments and Refunds for October 1, 2022 - September 30, 2023	(2,108,069)	(2,108,069)	(2,108,069)
(f) Total Pension Liability as of September 30, 2023 [(a) x (1+(b))] + (c) + (d) - [(e) + (1+0.5* (b))]	<u>\$ 37,585,399</u>	<u>\$ 38,314,672</u>	<u>\$ 38,314,672</u>
(g) Difference between Expected and Actual		\$ 729,274	
(h) Less Liability Transferred for Immediate Recognition		-	
(i) Difference between Expected and Actual - Expected (Gain) / Loss		<u>\$ 729,274</u>	
(j) Difference between expected and actual TPL Before After Plan Changes - Benefit Change (Gain) / Loss			\$ -

Municipal Utilities Board of the City of Albertville – Electric System
Notes to Financial Statements (Continued)
June 30, 2024 and 2023

NOTE 6 – DEFINED BENEFIT PENSION PLAN - Continued

The System’s June 30, 2023 net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2021, rolled forward to September 30, 2022, using standard roll-forward techniques as shown in the following table:

	Expected	Actual Before Plan Changes	Actual After Plan Changes
(a) Total Pension Liability as of September 30, 2021	\$ 35,404,523	\$ 35,159,209	\$ 35,194,153
(b) Discount Rate	7.45%	7.45%	7.45%
(c) Entry Age Normal Cost for October 1, 2021 - September 30, 2022	601,597	601,597	602,268
(d) Transfers Among Employees	-	(103,309)	(103,309)
(e) Actual Benefit Payments and Refunds for October 1, 2021 - September 30, 2022	(1,805,575)	(1,805,575)	(1,805,575)
(f) Total Pension Liability as of September 30, 2022 [(a) x (1+(b))] + (c) + (d)- + [(e) + (1+0.5* (b))]	<u>\$ 36,770,924</u>	<u>\$ 36,404,025</u>	<u>\$ 36,442,244</u>
(g) Difference between Expected and Actual		\$ (366,899)	
(h) Less Liability Transferred for Immediate Recognition		<u>(103,309.00)</u>	
(i) Difference between Expected and Actual - Expected (Gain) / Loss		<u>\$ (263,590)</u>	
(j) Difference between expected and actual TPL Before After Plan Changes - Benefit Change (Gain) / Loss			\$ 38,218

Actuarial Assumptions

The total pension liability as of September 30, 2023 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2022. The key actuarial assumptions are summarized below:

Inflation	2.50%
Salary increases	3.25% - 6.00%
Investment rate of return*	7.45%, including inflation

*Net of pension plan investment expense

Municipal Utilities Board of the City of Albertville – Electric System
Notes to Financial Statements (Continued)
June 30, 2024 and 2023

NOTE 6 – DEFINED BENEFIT PENSION PLAN - Continued

Mortality rates were based on the Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019:

Group	Membership Table	Set Forward (+)/ Setback (-)	Adjustment to Rates
Non-FLC Service Retirees	General Healthy Below Median	Male: +2, Female: +2	Male: 90% ages < 65, 96% ages >= 65 Female: 96% all ages
FLC/State Police Service Retirees	Public Safety Healthy Below Median	Male: +1, Female: none	None
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: +2	None
Non-FLC Disabled Retirees	General Disability	Male: +7, Female: +3	None
FLC/State Police Disabled Retirees	Public Safety Disability	Male: +7, Female: none	None

The actuarial assumptions used in the September 30, 2021 valuation were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2020.

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:

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	15.0%	2.8%
US Large Stocks	32.0%	8.0%
US Mid Stocks	9.0%	10.0%
US Small Stocks	4.0%	11.0%
Int'l Developed Mkt Stocks	12.0%	9.5%
Int'l Emerging Mkt Stocks	3.0%	11.0%
Alternatives	10.0%	9.0%
Real Estate	10.0%	6.5%
Cash	<u>5.0%</u>	1.5%
Total	100.0%	

*Includes assumed rate of inflation of 2.00%

Municipal Utilities Board of the City of Albertville – Electric System
Notes to Financial Statements (Continued)
June 30, 2024 and 2023

NOTE 6 – DEFINED BENEFIT PENSION PLAN - Continued

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will 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.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability
	(a)	(b)	(c)
Reported Balances at July 1, 2022	\$ 35,404,523	\$ 22,764,920	\$ 12,639,603
Changes for the year:			
Service cost	601,597	-	601,597
Interest	2,570,379	-	2,570,379
Changes of assumptions and benefit terms	38,218	-	38,218
Differences between expected and actual experience	(263,590)	-	(263,590)
Contributions - employer	-	1,091,960	(1,091,960)
Contributions - employee	-	411,130	(411,130)
Net investment income	-	(2,885,443)	2,885,443
Benefit payments, including refunds of employee contributions	(1,805,575)	(1,805,575)	-
Administrative expense	-	-	-
Transfers among Employers	(103,309)	(103,309)	-
Net changes	1,037,720	(3,291,237)	4,328,957
Balances at June 30, 2023	\$ 36,442,243	\$ 19,473,683	\$ 16,968,560
Changes for the year:			
Service cost	614,802	-	614,802
Interest	2,636,422	-	2,636,422
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	729,274	-	729,274
Contributions - employer	-	1,096,093	(1,096,093)
Contributions - employee	-	431,695	(431,695)
Net investment income	-	2,490,490	(2,490,490)
Benefit payments, including refunds of employee contributions	(2,108,069)	(2,108,069)	-
Administrative expense	-	-	-
Transfers among Employers	-	-	-
Net changes	1,872,429	1,910,209	(37,780)
Balances at June 30, 2024	\$ 38,314,672	\$ 21,383,892	\$ 16,930,780

Municipal Utilities Board of the City of Albertville – Electric System
Notes to Financial Statements (Continued)
June 30, 2024 and 2023

NOTE 6 – DEFINED BENEFIT PENSION PLAN - Continued

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

	2024	2023
Electric System	\$ 7,788,158	\$ 8,144,908
Water System	4,571,311	4,411,826
Waste Water System	4,571,311	4,411,826
	<u>\$ 16,930,780</u>	<u>\$ 16,968,560</u>

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

The following table presents the System’s net pension liability calculated using the discount rate of 7.45%, as well as what the System’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage-point higher (8.45%) than the current rate (dollar amounts in thousands):

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
2024 Reported Net Pension Liability	\$ 21,719,421	\$ 16,930,780	\$ 12,915,504
	<u>1% Decrease (6.45%)</u>	<u>Current Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
2023 Reported Net Pension Liability	\$ 21,545,557	\$ 16,968,560	\$ 13,128,901

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2022. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2022. The auditor’s report 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/>.

Municipal Utilities Board of the City of Albertville – Electric System
Notes to Financial Statements (Continued)
June 30, 2024 and 2023

NOTE 6 – DEFINED BENEFIT PENSION PLAN - Continued

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

For the years ended June 30, 2024 and 2023, the Systems recognized net pension expense of \$2,379,028 and \$2,228,782, respectively calculated as follows:

Service Cost	\$ 614,802	\$ 601,597
Interest on the Total Pension Liability	2,636,422	2,570,379
Current Period Benefit Change	-	38,218
Expensed Portion of Current Period Difference Between Expected and Actual Experience in the Total Pension Liability	107,246	(38,763)
Expensed Portion of Current Period Changes of Assumptions and Benefits	-	-
Member Contributions	(431,695)	(411,130)
Projected Earnings on Plan Investments	(1,429,174)	(1,680,871)
Expensed Portion of Current Period Difference Between Actual and Projected Earnings on Plan Investments	(212,263)	913,263
Recognition of Beginning Deferred Outflows of Resources as Pension Expense	1,132,453	572,182
Recognition of Beginning Deferred Inflows of Resources as Pension Expense	(38,763)	(336,093)
	<u>\$ 2,379,028</u>	<u>\$ 2,228,782</u>

At June 30, 2024, the Systems reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>2024</u>		<u>2023</u>	
	Deferred Outflows Resources	Deferred Inflows Resources	Deferred Outflows Resources	Deferred Inflows Resources
Differences between expected and actual experiences	\$ 1,390,223	\$ 186,064	\$ 1,114,381	\$ 224,827
Changes of assumptions	492,197	-	648,724	-
Net difference between projected and actual earnings on pension plan investments	873,264	-	2,352,057	-
Employer contributions subsequent to the measurement date	790,395	-	789,442	-
Total	<u>\$ 3,546,079</u>	<u>\$ 186,064</u>	<u>\$ 4,904,604</u>	<u>\$ 224,827</u>

Municipal Utilities Board of the City of Albertville – Electric System
Notes to Financial Statements (Continued)
June 30, 2024 and 2023

NOTE 6 – DEFINED BENEFIT PENSION PLAN –(Continued)

The deferred outflow of resources and deferred inflows of resources were reported in each Electric System's financial statements as follows for June 30, 2024 and 2023:

	2024		2023	
	Deferred Outflows Resources	Deferred Inflows Resources	Deferred Outflows Resources	Deferred Inflows Resources
Electric System	\$ 1,656,967	\$ 73,715	\$ 2,294,163	\$ 91,546
Water System	955,594	47,989	1,320,950	58,455
Waste Water System	933,518	64,360	1,289,491	74,826
	<u>\$ 3,546,079</u>	<u>\$ 186,064</u>	<u>\$ 4,904,604</u>	<u>\$ 224,827</u>

The \$1,656,967 and \$2,294,163 reported as deferred outflows of resources related to pensions at June 30, 2024 and 2023, respectively, resulting from the Systems' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024 (\$3,546,079) and 2023 (\$4,904,604). Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended September 30:	
2025	\$ 742,005
2026	607,210
2026	1,028,982
2027	29,391
2028	76,234
Thereafter	85,798

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the total position of the plan (OPEB Plan) and additions to/deductions from the OPEB Plan's total position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the flowing timeframes are used:

Valuation Date	September 30, 2023
Measurement Date	September 30, 2022
Measurement Period	September 30, 2023
Reporting Date	June 30, 2024

Municipal Utilities Board of the City of Albertville – Electric System
Notes to Financial Statements (Continued)
June 30, 2024 and 2023

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description

Plan Administration

The Systems provide certain continuing health care benefits for its retired employees. The Systems Other Postretirement Employee Benefits Plan (or “OPEB”) is provided through the Local Government Health Insurance Plan (or “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. As the Systems are under no statutory or contractual obligation to provide these benefits, and the plan consists only from the payment of premiums to the LGHIP, there is no stand–alone financial report available or generated.

Plan Membership

Membership in the OPEB Plan consisted of the following at June 30, 2024 and June 30, 2023, respectively:

	<u>2024</u>	<u>2023</u>
Active employees	99	99
Inactive employees currently receiving benefits	10	10
Total Membership	<u>109</u>	<u>109</u>

Benefits Provided

A participant is offered coverage through the Alabama Local Government Health Insurance Board (LGHIB). Medical and drug benefits are offered for both pre–Medicare and Medicare eligible retirees.

Contributions

Premiums under the Plan for post–employment healthcare benefits are funded by participating retirees in accordance with rates established by the LGHIB and the Albertville Municipal Utilities Board itself from appropriate Electric System funds. For the first three years after retirement, retirees pay \$30 per month for single coverage or \$65 per month for family coverage, the same rates for 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. The Plan is financed on a pay-as-you-go basis.

The Systems have not established a trust fund for depositing contributions and managing the OPEB obligation. As of September 30, 2023, the most recent actuarial valuation date, the plan was 0% funded, as there were no assets (1) held in an irrevocable trust, (2) dedicated solely to provide benefits under the plan to retirees and their beneficiaries, or (3) protected by creditors.

Municipal Utilities Board of the City of Albertville – Electric System
Notes to Financial Statements (Continued)
June 30, 2024 and 2023

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS – (Continued)

Total OPEB Liability

The Systems' total OPEB liability was determined by an actual valuation dated September 30, 2022 that was rolled forward to determine the September 30, 2023 total OPEB liability, based on the following methods and assumptions:

Inflation	2.50%	
Real wage growth	0.25%	
Wage inflation	2.75%	
Salary increases	3.25% - 6.00%	<i>including wage inflation</i>
Discount Rate	4.09%	
Municipal Bond Index Rate		
Prior Measurement Date	4.02%	
Measurement Date	4.09%	
Health Care Cost Rates		
Pre-Medicare Medical and Prescription Drug	7.00%	<i>for 2022, decreasing to 4.5% by 2032</i>
Medicare Medical and Prescription Drug	5.125%	<i>for 2022, decreasing to 4.5% by 2025</i>

The following changes in actuarial assumptions have been made since the prior measurement date:

- The assumed discount rate was updated to reflect the current economic environment.
- The mortality assumption has been updated to conform to the most recent available recommendations from the Society of Actuaries.
- The assumed claims and trend assumptions have been updated to reflect current plan structure and economic environment.
- The 1% load applied in the previous valuation was removed due to the inclusion of employees without medical coverage in the reported participant data.

Mortality rates were based on the Pub-2010 Public Mortality Plans Mortality Tables, with adjustments for AL ERS experience and generational mortality improvements using Scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the actuarial valuation, the entry age normal method was used. The actuarial assumptions included a discount rate of 4.09%, and an annual healthcare cost trend rate of 7.00%. Rates include a 2.50% inflation assumption.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS – (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 4.09% and 4.02%, respectively. The following tables present the total OPEB liability calculated using the discount rates of 4.09% and 4.02%, as well as what the total OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (3.09%)	Current Discount Rate (4.09%)	1% Increase (5.09%)
2024 Reported Total OPEB Liability	\$ 3,288,123	\$ 3,048,225	\$ 2,824,407

	1% Decrease (3.02%)	Current Discount Rate (4.02%)	1% Increase (5.02%)
2023 Reported Total OPEB Liability	\$ 3,166,874	\$ 2,928,393	\$ 2,706,202

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1–percentage–point lower or 1–percentage–point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
2024 Reported Total OPEB Liability	\$ 2,704,017	\$ 3,048,225	\$ 3,452,781
2023 Reported Total OPEB Liability	\$ 2,611,942	\$ 2,928,393	\$ 3,299,420

Municipal Utilities Board of the City of Albertville – Electric System
Notes to Financial Statements (Continued)
June 30, 2024 and 2023

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS – (Continued)

Changes in the OPEB Liability

The changes in the total OPEB liability for the Plan are as follows:

	Total OPEB Liability
Reported Balances at June 30, 2022	<u>\$ 2,940,189</u>
Changes for the year:	
Service Costs	143,893
Interest om Total OPEB Liability	65,725
Effect of Economic/Demographic Gains or Losses	156,381
Effect of Assumptions, Changes, or Inputs	(313,446)
Benefit Payments	<u>(64,349)</u>
Net Changes	<u>(11,796)</u>
Reported Balances at June 30, 2023	<u>\$ 2,928,393</u>
Changes for the year:	
Service Costs	120,586
Interest om Total OPEB Liability	115,710
Effect of Economic/Demographic Gains or Losses	884
Effect of Assumptions, Changes, or Inputs	(16,280)
Benefit Payments	<u>(101,068)</u>
Net Changes	<u>119,832</u>
Reported Balances at June 30, 2024	<u><u>\$ 3,048,225</u></u>

The financial statements as of June 30, 2024 and 2023 reflect a long-term liability and the related expense for each System as follows:

	2024		2023	
	Long-Term Liability	Related Expense	Long-Term Liability	Related Expense
Electric System	\$ 1,280,255	\$ 87,224	\$ 1,229,925	\$ 75,558
Water System	883,985	60,226	849,234	52,170
Waste Water System	883,985	60,226	849,234	52,170
	<u>\$ 3,048,225</u>	<u>\$ 207,676</u>	<u>\$ 2,928,393</u>	<u>\$ 179,898</u>

Municipal Utilities Board of the City of Albertville – Electric System
Notes to Financial Statements (Continued)
June 30, 2024 and 2023

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS – (Continued)

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

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. For the fiscal year ended June 30, 2024 and 2023, the Utilities recognized OPEB expense as follows:

	2024	2023
Service cost	\$ 120,586	\$ 143,893
Interest on Total OPEB Liability	115,710	65,725
Effect of Economic/Demographic Gains or Losses	80	14,216
Effect of Assumptions, Changes or Inputs	1,020	(28,495)
Recognition of Beginning Deferred Outflows as Expense	61,718	47,502
Recognition of Beginning Deferred Inflows as Expense	(91,438)	(62,943)
Transfers among Employers	<u>\$ 207,676</u>	<u>\$ 179,898</u>

As of fiscal year, ended June 30, 2024 and 2023, the Utilities reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2024</u>		<u>2023</u>	
	Deferred Outflows Resources	Deferred Inflows Resources	Deferred Outflows Resources	Deferred Inflows Resources
Differences between expected and actual experiences	\$ 138,317	\$ 159,499	\$ 152,921	\$ 189,792
Changes of assumptions	<u>264,610</u>	<u>469,308</u>	<u>310,920</u>	<u>515,653</u>
Total	<u>\$ 402,927</u>	<u>\$ 628,807</u>	<u>\$ 463,841</u>	<u>\$ 705,445</u>

	<u>2024</u>		<u>2023</u>	
	Deferred Outflows Resources	Deferred Inflows Resources	Deferred Outflows Resources	Deferred Inflows Resources
Electric System	\$ 169,229	\$ 264,099	\$ 164,811	\$ 299,015
Water System	116,849	182,354	149,790	206,075
Waste Water System	<u>116,849</u>	<u>182,354</u>	<u>149,240</u>	<u>200,355</u>
Total	<u>\$ 402,927</u>	<u>\$ 628,807</u>	<u>\$ 463,841</u>	<u>\$ 705,445</u>

Municipal Utilities Board of the City of Albertville – Electric System
Notes to Financial Statements (Continued)
June 30, 2024 and 2023

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS – (Continued)

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year ended September 30:		
2024	\$	(31,120)
2025		(31,120)
2026		(31,120)
2027		(20,760)
2028		(6,259)
Thereafter		(105,501)

NOTE 8 – RELATED PARTIES

The Electric System bills and collects revenues for the Water and Waste Water Systems in order to streamline operations and will remit the billings to the respective Systems monthly. The amounts to be remitted to the other Systems are listed in accounts payable from the Electric System as follows:

	<u>2024</u>	<u>2023</u>
Accounts Payable - Water System	\$ 853,041	\$ 533,758
Accounts Payable - Waste Water System	683,880	432,225
Total	<u>\$ 1,536,921</u>	<u>\$ 965,983</u>

Additionally, garbage and sanitation fees are included on the billings of electricity, water and waste water fees for the City of Albertville. The Electric System collects the billings and remits the collections to the City of Albertville monthly. The amounts to be allocated to the City of Albertville and included in accounts payable as of June 30, 2024 and 2023 are \$184,850 and \$181,307, respectively

NOTE 9 – COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

At June 30, 2024, the Electric System was obligated under the following contracts or significant agreements:

Tennessee Valley Authority Contract - The Electric System entered into a 20-year contract with Tennessee Valley Authority (or "TVA") to purchase all of its electrical power. The was amended effective August 28, 2019 stating the Electric System shall receive a 3.1% credit on power billing from TVA. The contract is subject to termination by either party, on not less than 20 years prior written notice. Customer retail rates are subject to review at the discretion of TVA.

NOTE 9 – COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES – (CONTINUED)

Construction - At June 30, 2024, the System was not obligated under significant contracts for equipment and services to be delivered subsequent to June 30, 2024.

Legal - The Electric System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Electric System carries commercial insurance for all major programs, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage from coverage in the prior two years.

NOTE 10 – CONCENTRATION OF CREDIT RISK

Credit Risk

The Electric System consider a major customer to be one which constitutes 10% or more of total annual revenues. For fiscal years ended June 30, 2024 and 2023, one customer made up \$5,933,623, or 11%, and \$6,617,435, or 11% of total sales, respectively

Operational Risk

The Electric System purchases 100% of the electricity for distribution to its customers from the Tennessee Valley Authority (TVA). The purchase contract with TVA expires on a 20-year rolling basis. The cost of the electricity purchased from TVA for the fiscal years ended June 30, 2024 and 2023, was \$45,651,387 and \$49,203,512, respectively.

*REQUIRED SUPPLEMENTARY
INFORMATION*



Municipal Utilities Board of the City of Albertville – Electric System
Schedule of Changed in Net Pension Liability
Employee’s Retirement Systems of Alabama
Last 10 Fiscal Years Ending June 30*

	Last Ten (10) Years Ending June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability										
Service cost	\$ 614,802	\$ 601,597	\$ 496,795	\$ 445,568	\$ 428,717	\$ 407,409	\$ 382,828	\$ 398,212	\$ 379,498	\$ 364,766
Interest	2,636,422	2,570,379	2,439,769	2,320,841	2,218,024	2,151,504	2,093,962	2,067,864	1,966,782	1,909,399
Change of Benefit Terms	-	38,218	-	192,919	-	-	-	-	-	-
Difference between expected and actual experience	729,274	(263,590)	804,630	375,395	634,670	173,586	315,077	144,947	474,452	-
Changes of Assumptions	-	-	852,900	-	-	162,476	-	403,120	-	-
Benefit payments, including refunds of employee contributions	(2,108,069)	(1,805,575)	(1,749,755)	(1,864,029)	(2,028,241)	(1,672,318)	(2,107,286)	(1,565,510)	(1,548,899)	(1,564,873)
Transfer among employers	-	(103,309)	-	16,688	-	(525)	(159,587)	(7,179)	-	-
Net change in total pension liability	1,872,429	1,037,720	2,844,339	1,487,382	1,253,170	1,222,132	524,994	1,441,454	1,271,833	709,292
Total pension liability - beginning	36,442,243	35,404,523	32,560,184	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 (a)	\$ 38,314,672	\$ 36,442,243	\$ 35,404,523	\$ 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	\$ 1,096,093	\$ 1,091,960	\$ 992,270	\$ 943,044	\$ 875,592	\$ 860,087	\$ 825,654	\$ 797,996	\$ 743,007	\$ 692,260
Contributions - employee	431,695	411,130	385,440	352,769	322,885	311,959	297,978	281,741	274,597	265,949
Net investment income	2,490,490	(2,885,443)	4,170,491	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	(2,108,069)	(1,805,575)	(1,749,755)	(1,864,029)	(2,028,241)	(1,672,318)	(2,107,286)	(1,565,510)	(1,548,899)	(1,564,873)
Transfer among employers	-	(103,309)	-	16,688	-	(525)	(159,587)	(7,179)	-	4,575
Net change in plan fiduciary net position	1,910,209	(3,291,237)	3,798,446	488,591	(356,780)	1,115,856	932,848	1,081,326	(344,049)	1,149,481
Plan net position - beginning	19,473,683	22,764,920	18,966,474	18,477,883	18,834,663	17,718,807	16,785,959	15,704,633	16,048,682	14,899,201
Plan net position - ending (b)	\$ 21,383,892	\$ 19,473,683	\$ 22,764,920	\$ 18,966,474	\$ 18,477,883	\$ 18,834,663	\$ 17,718,807	\$ 16,785,959	\$ 15,704,633	\$ 16,048,682
Net pension liability - ending (a) - (b)	\$ 16,930,780	\$ 16,968,560	\$ 12,639,603	\$ 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	55.81%	53.44%	64.30%	58.25%	59.47%	63.16%	61.96%	59.80%	58.97%	63.29%
Covered-employee payroll*	\$ 8,182,822	\$ 7,248,254	\$ 6,980,738	\$ 6,830,182	\$ 6,262,360	\$ 6,028,705	\$ 5,860,040	\$ 5,620,854	\$ 5,443,506	\$ 5,293,453
Net pension liability as a percentage of covered-employee payroll	206.91%	234.11%	181.06%	199.02%	201.12%	182.21%	185.64%	200.80%	200.72%	175.89%

Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

* Employer’s covered-payroll during the measurement period is the total covered payroll. For FY 2022 the measurement period is October 1 2020 - September 30, 2021
GASB issued a statement “Pension Issues” in March 2016 to redefine covered payroll beginning in FY 2017.

Municipal Utilities Board of the City of Albertville – Electric System
Schedule of Employer Contributions
Employee’s Retirement Systems of Alabama
Last 10 Fiscal Years Ending September 30*

	Actuarial Valuation as of June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,281,982	\$ 1,105,314	\$ 1,068,035	\$ 998,245	\$ 918,636	\$ 863,669	\$ 823,941	\$ 815,306	\$ 829,236	\$ 749,824
Contributions in relation to the actuarially determined contribution	(1,281,982)	(1,105,314)	(1,068,035)	(998,245)	(918,636)	(863,669)	(823,941)	(815,306)	(829,236)	(749,824)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 8,182,822	\$ 8,182,822	\$ 7,248,254	\$ 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	15.67%	13.51%	14.74%	14.49%	14.18%	13.89%	13.81%	14.00%	14.42%	13.84%

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 2024 were based on the September 30, 2021 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2023 to September 30, 2024:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	26.6 years
Asset valuation method	Five year smoothed market
Inflation	2.50%
Salary increases	3.25 - 6.00%, including inflation
Investment rate of return	7.45%, net of pension plan investment expense, including inflation

* Net of pension plan investment expense, including inflation

1 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.

2 Employer's covered payroll for Fy 2024 us the total covered payroll for the 12 month period of the underlying financial statement.

Municipal Utilities Board of the City of Albertville – Electric System
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last 10 Fiscal Years Ending September 30*

	Years Ending June 30,						
	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability							
Service cost	\$ 120,586	\$ 143,893	\$ 133,702	\$ 126,225	\$ 90,329	\$ 98,998	\$ 109,139
Interest on the total OPEB liability	115,710	65,725	65,583	76,412	101,561	84,976	72,826
Change in Benefit Terms	-	-	-	46,798	-	-	-
Actual and expected experience difference	884	156,381	13,140	(182,331)	(3,242)	(29,176)	(100,303)
Changes in assumptions or inputs	(16,280)	(313,446)	(200,258)	123,074	361,137	(9,974)	(142,733)
Benefit payments	(101,068)	(64,349)	(78,679)	(111,456)	(101,958)	(89,143)	-
Net change in total OPEB liability	119,832	(11,796)	(66,512)	78,722	447,827	55,681	(61,071)
Total OPEB liability - beginning	2,928,393	2,940,189	3,006,701	2,927,979	2,480,152	2,424,471	2,485,542
Total OPEB liability - ending (a)	<u>\$ 3,048,225</u>	<u>\$ 2,928,393</u>	<u>\$ 2,940,189</u>	<u>\$ 3,006,701</u>	<u>\$ 2,927,979</u>	<u>\$ 2,480,152</u>	<u>\$ 2,424,471</u>
Covered payroll 1	\$ 7,193,936	\$ 7,193,936	\$ 6,632,043	\$ 6,632,043	\$ 5,922,723	\$ 5,922,723	\$ 5,520,856
Net OPEB liability as a percentage of covered employee payroll	42.37%	40.71%	44.33%	45.34%	49.44%	41.88%	43.91%

Notes to the Schedule of Changes in the Total OPEB Liability and Related Ratios:

Historical information is required only for measurement periods for which GASB No. 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB No. 75 to pay related benefits.

Trends in the amounts reported could be significantly affected by assumption and methods made relative to various occurrences, such as rates of expected investment earnings by the fund, rates of mortality among active and retired employees, rates of termination from employment, and retirement rates.

The actuarial valuation date was September 30, 2023, the measurement date was September 30, 2022, and reporting date was June 30, 2024.

¹ Employer's covered payroll during the measurement period is the total covered payroll. For FY 2024 the measurement period is October 1, 2022 - September 30, 2023.

*SUPPLEMENTARY
INFORMATION*



Municipal Utilities Board of the City of Albertville – Electric System
Schedule of Operating Expenses
June 30, 2024 and 2023

	2024		2023	
	Amount	Percent of Operating Revenue	Amount	Percent of Operating Revenue
COST OF POWER	\$ 45,651,387	82.45%	\$ 49,203,512	84.12%
DISTRIBUTION				
Operation				
Supervision & Engineering	\$ 78,580	0.14%	\$ 72,756	0.12%
Overhead Lines	455,276	0.82%	367,906	0.63%
Maintenance of URG Services	19,194	0.03%	27,342	0.05%
Street Lighting & Signal System	55,086	0.10%	52,947	0.09%
Meters	103,150	0.19%	83,957	0.14%
Customer Installation	102,451	0.19%	95,493	0.16%
Miscellaneous	83,143	0.15%	75,652	0.13%
Rents	64,740	0.12%	63,876	0.11%
In-kind Services and Donations	34,769	0.06%	48,140	0.08%
	<u>\$ 996,389</u>	<u>1.80%</u>	<u>\$ 888,069</u>	<u>1.51%</u>
Maintenance				
Station Equipment & SCADA	\$ 99,470	0.18%	\$ 98,170	0.17%
Overhead & Underground Lines	455,882	0.82%	359,572	0.61%
Tree Trimming	511,693	0.92%	474,267	0.81%
Street Lighting & Signal System	2,897	0.01%	667	0.00%
Meters	28,085	0.05%	10,026	0.02%
	<u>\$ 1,098,027</u>	<u>1.98%</u>	<u>\$ 942,702</u>	<u>1.61%</u>
Total Distribution	<u>\$ 2,094,416</u>	<u>3.78%</u>	<u>\$ 1,830,771</u>	<u>3.12%</u>
CUSTOMER ACCOUNTS				
Supervision	39,208	0.07%	45,613	0.08%
Meter Reading	102,389	0.18%	97,306	0.17%
Customer Records & Collection	531,902	0.96%	540,656	0.92%
Customer Assistance	43,982	0.08%	38,406	0.07%
Miscellaneous	11,058	0.02%	11,396	0.02%
	<u>\$ 728,539</u>	<u>1.31%</u>	<u>\$ 733,377</u>	<u>1.26%</u>
DEPRECIATION	<u>\$ 2,476,452</u>	<u>4.47%</u>	<u>\$ 2,190,544</u>	<u>3.74%</u>
ADMINISTRATIVE & GENERAL				
Salaries and Wages	239,151	0.43%	246,535	0.42%
Sales Expense	28,046	0.05%	25,879	0.04%
Office Supplies & Expense	150,858	0.27%	107,428	0.18%
Outside Services Employed	27,942	0.05%	36,271	0.06%
Property Insurance	21,680	0.04%	17,263	0.03%
Injuries & Damages	55,125	0.10%	41,599	0.07%
Employee Pensions & Benefits	1,468,915	2.65%	1,415,800	2.42%
Maintenance of General Property	149,508	0.27%	87,459	0.15%
Miscellaneous	68,749	0.12%	63,605	0.11%
	<u>\$ 2,209,974</u>	<u>3.98%</u>	<u>\$ 2,041,839</u>	<u>3.48%</u>
TOTAL OPERATING EXPENSES	<u>\$ 53,160,768</u>	<u>95.99%</u>	<u>\$ 56,000,043</u>	<u>95.72%*</u>

Municipal Utilities Board of the City of Albertville – Electric System
 Schedule of Operating Statistics
 June 30, 2024 and 2023

	2024	2023
Number of Customers at Year End		
Residential	8,275	8,243
General 0-50 KW	2,104	2,045
General > 50 KW	248	236
Outdoor Lighting	69	67
Total	<u>10,696</u>	<u>10,591</u>
	2024	2023
Kilowatt Hours Purchased	658,350,905	653,173,905
Less: Total Kilowatt Hours Sold & Used	<u>640,364,215</u>	<u>638,079,610</u>
Kilowatt Hours Unaccounted for	<u>17,986,690</u>	<u>15,094,295</u>
Percentage of Losses to Purchases	2.73%	2.31%

*ADDITIONAL REPORTING REQUIRED BY
GOVERNMENT AUDITING STANDARDS*





Darrell W. Wates, CPA, PC
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Certified Public Accountants / Consultants

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

To the Board of Directors
of Municipal Utilities Board of the City of Albertville
Albertville, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Electric System enterprise fund of the Municipal Utilities Board of the City of Albertville (the "Electric System" or the "System"), as of and for the year ended June 30, 2024, and the related notes to the financial statements and have issued our report thereon dated October 31, 2024

Report on Internal Control over Financial Reporting

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

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

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



Darrell W. Wates, CPA, PC
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Certified Public Accountants / Consultants

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Report on Compliance and Other Matters

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

Purpose of this Report

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

Darrell W. Wates, CPA, PC

Darrell W. Wates, CPA, PC
Certified Public Accountants
Decatur, Alabama

October 31, 2024

Municipal Utilities Board of the City of Albertville – Electric System
Schedule of Findings
For the year ended June 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued on whether the financial statements audited were prepared in accordance with GAAP Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes ✓ no

Significant deficiency(ies) identified not considered? to be material weaknesses? _____ yes ✓ none reported

Noncompliance material to the financial statements noted? _____ yes ✓ no

Federal Awards

There was not an audit of major federal award programs for the fiscal year June 30, 2024 due to the total amount expenses being less than \$750,000

Municipal Utilities Board of the City of Albertville – Electric System
Schedule of Findings (Continued)
For the year ended June 30, 2023

Section II – Financial Statement Findings

None Noted

Municipal Utilities Board of the City of Albertville – Electric System
Status of Prior Year Findings and Responses
For the year ended June 30, 2023

2023-001 Deferred Outflows of Resources Related to OPEB

Criteria: Generally accepted accounting principles require deferred outflows of resources related to OPEB be reported for benefits paid out for OPEB as the benefits come due subsequent to the measurement date of the total OPEB liability and before the end of the reporting period.

Condition: The System reported insurance premiums paid in, rather than benefits paid out, as deferred outflows of resources related to OPEB. Audit adjustments were required to properly report the System's OPEB expense and related deferred outflow account as follows:

- The financial statements for June 30, 2022 and June 30, 2021 were restated. The effect of the restatement was to decrease the System's net position and change in net position by \$294,509 and \$63,322, respectively.
- The OPEB expense for June 30, 2023 was increased by \$39,271 and the related deferred outflow account for June 30, 2023 was decreased by \$39,271.

Cause: The System reported insurance premiums paid in, rather than benefits paid out, as deferred outflows of resources related to OPEB.

Effects: Audit adjustments as noted above were required to correctly report the Utilities' revenues and related assets in accordance with GAAP.

Corrections: Management agreed with the prior findings and made corrections going forward to properly account for premium payments made subsequent to the measurement date of the total OPEB liability and before the end of the reporting period.