

*MUNICIPAL UTILITIES BOARD  
OF THE CITY OF ALBERTVILLE  
WATER SYSTEM*

*Albertville, Alabama*

AUDITED FINANCIAL STATEMENTS

June 30, 2024 and 2023



Municipal Utilities Board of the City of Albertville – Water 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 Water System enterprise fund of the Municipal Utilities Board of the City of Albertville (the "Water 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 Water 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 Water System. They do not purport to, and do not, present fairly the financial position of the City of Albertville, Alabama, as of June 30, 2024, and the changes in its financial position or, where applicable, its cash flows for the year 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 schedule of 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*

Management In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 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  
December 16, 2024

*MANAGEMENT'S DISCUSSION AND  
ANALYSIS  
(Unaudited)*



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

June 30, 2024 and 2023

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As management of the Municipal Utilities Board of the City of Albertville, we offer readers of the Water System enterprise fund of the Municipal Utilities Board of the City of Albertville’s (the “Water 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 Water System using full accrual accounting methods.

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 Water System, the Board also governs the Electric 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 Water 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 – Water 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.

Water System's Condensed Statement of Net Position

	Fiscal Year Ended		
	June 30, 2024	June 30, 2023	June 30, 2022
<b>Assets</b>			
Current Assets	\$ 6,308,552	\$ 4,631,313	\$ 4,548,189
Capital Assets	23,455,797	24,759,246	26,473,506
Other Assets	16,480	19,696	22,912
Total assets	29,780,829	29,410,255	31,044,607
<b>Deferrd Outflows of Resources</b>	1,072,443	1,470,740	965,279
<b>Liabilities</b>			
Current liabilities	1,586,806	1,478,419	1,978,055
Noncurrent liabilities	10,635,616	11,411,352	11,272,759
Total liabilities	12,222,422	12,889,771	13,250,814
<b>Deferrd Inflows of Resources</b>	230,343	264,530	565,272
<b>Net position</b>			
Net investment in capital assets	17,447,766	17,775,712	18,123,161
Restricted:			
Debt service	297	205	2
Unrestricted	952,444	(49,223)	70,637
Total net position	\$ 18,400,507	\$ 17,726,694	\$ 18,193,800

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

2024 Highlights

The Water System’s financial position remains stable for 2024. Total assets and deferred outflows decreased \$27,723 from 2023. Cash increased significantly due to an overall increase in cash flows from continued growth and an increase in interest income. Interest income increased from overall 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 System also had a receivable from the Alabama Department of Environmental Management in 2024 for \$127,110 which was not present in the prior year. This receivable was a reimbursement of eligible expenditures under a grant for preliminary engineering costs on water treatment plant improvements. The increase in cash and receivables were not enough to overcome the continued increase in accumulated depreciation on existing capital assets in excess of current year additions of capital assets and the decrease in deferred outflows for both the pension and OPEB plans resulting from changes in actuarial assumptions. Total liabilities and deferred inflows decreased \$701,536 from 2023 primarily due to regularly scheduled principal payment on bonds and direct borrowings.

Total net position (total assets and deferred outflows minus total liabilities and deferred inflows) of \$18,400,507 reflects an increase of \$673,813 or 3.8% from 2023. Of this amount, 95% is invested in net plant assets and 5% is unrestricted.

2023 Highlights

For the fiscal year ending June 30, 2023, total assets and deferred outflows decreased \$1,128,891 with Net Water Plant (assets less depreciation) decreasing \$1,714,260 due to increased depreciation. Current and other assets increased \$79,908 mostly due to an increase in materials and supplies. Total liabilities and deferred inflows decreased \$661,785, a 4.8% decrease due to principal payments on bonds.

Total net position (total assets and deferred outflows less total liabilities and deferred inflows) of \$17,726,694 reflects a decrease of \$467,106. \$17,775,712 of this amount is invested in net capital assets while a \$49,223 deficit represents the non- restricted portion and \$205 represents the restricted portion.

Water System's Condensed Statement of Revenues, Expenses and Changes in Net Position

	<b>Fiscal Year Ended</b>		
	<b>June 30, 2024</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Operating revenues	\$ 11,125,475	\$ 10,046,894	\$ 9,294,508
Operating expenses	10,392,805	10,387,848	9,647,188
Operating income (loss)	732,670	(340,954)	(352,680)
Nonoperating revenues (expenses)	(58,857)	(126,152)	(196,204)
Change in net position	673,813	(467,106)	(548,884)
Net position - beginning of year	17,726,694	18,193,800	18,742,684
Net position - end of year	<u>\$ 18,400,507</u>	<u>\$ 17,726,694</u>	<u>\$ 18,193,800</u>

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

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2024 Highlights

The majority of the Water System’s operating revenues are derived from sales of water. The volume of water sold was 3.3 billion gallons in 2024. Other revenue consists of forfeited discounts, system development charges, service fees, and collection charges.

The Water System has five classes of sales: residential, commercial, industrial, street and athletic, and outdoor lighting. Total sales revenue increased 9% in 2024. Residential sales increased \$443,596 or 11.40%. Sales to other distributors increased \$226,346 or 8.52%. Commercial and industrial sales increased \$220,456 or 6.64%.

Total operating expense remained fairly consistent with the overall increase being less than 1% from 2023. Although operating expenses did not fluctuate significantly overall, there were some key line items which did have larger variances from 2023. Source of water supply expenses increased \$226,641 or 23.96% primarily due to an increase in plant maintenance related to a PFAS testing pilot on the System.

2023 Highlights

Total sales revenue for 2023 increased \$761,929 or 8.3% from 2022. Residential sales increased \$385,535. Sales to other distributors increased \$249,046 or 10.3%. Commercial and industrial sales increased \$124,952 or 3.9%.

Total operating expense increased \$740,660 in 2023, or 7.7%. Purification expense increased \$399,710 due to an increase in treatment chemicals. Administrative and general expense increased \$277,028 mostly due to the recording of pension expense per GASB68. Power and pumping cost increased \$152,467 due to an increase in utility costs. Transmission and distribution expense increased \$61,571 due to an increase in supplies charged to expense. Depreciation decreased \$124,861 or 5.5%. Customer accounts expense decreased \$19,719 mostly due to a decrease in credit card processing fees and meter reading payroll. Source of Supply cost decreased \$5,536.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

2024 Highlights

Total Water Plant increased \$763,710 (before depreciation, retirements, and work in progress). Raw water intake increased \$190,027 due to capital repairs on four river pumps, while \$170,428 was invested in water main upgrades. Water Plant Structures increased \$142,500 mostly due to repairs made to a finish pump, and water plant elevator. 126 new water services were added at a cost of \$109,538. Water meters increased by \$48,326, while seven hydrants were installed at a cost of \$45,354. Office and computer equipment increased by \$32,093 due to the purchase of a host server and an AMI server. \$12,252 was invested in general plant equipment with the addition of a pipe cutter and mole piercing tool. Transportation increased \$5,598 due to capital repairs while \$5,795 was invested in two new GPS handheld units. \$1,799 was invested in water’s portion of a new HVAC unit at the warehouse.

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

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2023 Highlights

Total Water Plant increased \$544,538 (before depreciation, retirements, and work in progress) in 2023. Raw water intake increased \$123,770 due to capital repairs on three river pumps, while \$115,424 was invested in water main upgrades. 76 new water services were added at a cost of \$66,468. Transportation increased \$63,932 due to the purchase of a new service truck and a transit van purchased from Wastewater. \$59,332 was invested in Communication Equipment for SCADA upgrades and line locators. Water meters increased by \$55,189 and \$24,720 was invested in water pipe storage at the Warehouse. Water Plant Structures increased \$10,608 due to the purchase of two turbidimeters at the water plant. 9 hydrants were installed at a cost of \$18,573, and \$6,522 was invested in softwash equipment.

Debt Administration

2024 Highlights

The Water System’s long-term debt in 2024 decreased \$976,704 due to principal reductions. Total long-term debt remaining at June 30, 2024 is \$6,014,185 which includes 2016 Bonds and a note payable to the Waste Water System for the refinance of the 2010 SRF Water Revenue Bonds.

2023 Highlights

The Water System’s long-term debt in 2023 decreased \$1,368,771 due to principal reductions. Total long-term debt remaining at June 30, 2023 was \$6,990,889, which includes 2016 Bonds, a note payable to the Electric System for the purchase of a portion of the Office Land, Building and Equipment and a note payable to the Waste Water System for the refinance of the 2010 SRF Water Revenue Bonds.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The Capital Expenditures Budget for 2025 has been projected at \$6,791,053. These expenditures will include:

- \$4,995,000 – Water Plant Structures – Includes Clearwell project, generator and filter controls, and repairs
- \$660,000 – Distribution Mains & Accessories – Miscellaneous upgrades
- \$395,000 – Raw Water Pump Station – Controllers and capital repairs
- \$296,000 – Transportation Equipment – Includes backhoe, crew cab truck, forklift and capital repairs
- \$142,500 – Services – Approximately 125 new services
- \$76,453 – Meters – Includes 125 meter box lids, various amounts of meter head assemblies, and meters
- \$70,000 – Miscellaneous Structures –Miscellaneous upgrades
- \$50,000 – Water Plant Lab Equipment – Miscellaneous upgrades
- \$30,000 – Hydrants – Approximately 10 new hydrants
- \$20,000 – Communication Equipment –Miscellaneous upgrades
- \$20,000 – General Plant Equipment –Miscellaneous upgrades
- \$20,000 – Pumping Equipment & Pumping Stations – Capital Repairs
- \$16,100 – Computer Equipment – Includes warehouse furniture

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

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FINAL COMMENTS

The Water System’s management and the MUB Board annually prepare and review operating budgets, payroll budgets and capital purchases budgets. The preparations of these budgets involve reviewing several factors such as anticipated growth and expansion or cutbacks in industrial usage, forecasting expenses and determining capital needs. These budgets provide a blueprint for operations for the next year and also assist in determining financial position for the near future.

It is the opinion of management that current water rates may not be adequate to fund necessary expenditures and to maintain the Water System in good repair. A water rate increase will be implemented in October 2024. Additional review of rates may be needed to ensure that the Water department has the funds necessary for operations and expansion.

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 – Water System  
 Statements of Net Position  
 June 30, 2024 and 2023

	2024	2023
<b>Assets</b>		
Current Assets		
Cash and Cash Equivalents	\$ 4,068,140	\$ 2,937,822
Restricted Cash and Cash Equivalents	297	205
Receivables - Customers	346,156	302,785
Receivables - Other	980,151	533,758
Materials and Supplies	900,356	829,919
Prepaid Expenses	13,452	26,824
Total Current Assets	<u>6,308,552</u>	<u>4,631,313</u>
Noncurrent Assets		
Capital Assets:		
Utility Plant in Service	73,865,137	73,430,182
Land and Land Rights	774,786	774,786
Construction in Progress	275,181	93,979
Less: Accumulated Depreciation	(51,459,307)	(49,539,701)
Total Capital Assets, Net	<u>23,455,797</u>	<u>24,759,246</u>
Other Noncurrent Assets	16,480	19,696
Total Noncurrent Assets	<u>23,472,277</u>	<u>24,778,942</u>
Total Assets	<u>29,780,829</u>	<u>29,410,255</u>
<b>Deferred Outflows of Resources</b>		
Deferred Outflows of Resources Related to Pensions	955,594	1,320,950
Deferred Outflows of Resources Related to OPEB	116,849	149,790
Total Deferred Outflows of Resources	<u>1,072,443</u>	<u>1,470,740</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 30,853,272</u>	<u>\$ 30,880,995</u>

The accompanying notes are an integral part of this statement.

<b>Liabilities</b>	2024	2023
Current Liabilities:		
Accounts Payable	\$ 408,584	\$ 258,744
Accrued Payroll Liabilities	70,307	76,560
Accrued Interest	44,877	50,701
Other Current Liabilities	10,108	20,069
Noncurrent Liabilities, Due in One Year:		
Compensated Absences	90,088	95,641
Warrants Payable	815,000	795,000
Debt from Direct Borrowings	147,842	181,704
Total Current Liabilities	1,586,806	1,478,419
Noncurrent Liabilities:		
Bonds Payable, Net of Current Maturities and Unamortized Discount	4,343,845	5,157,644
Debt from Direct Borrowings, Net of Current Maturities	701,343	849,186
Net Pension Liability	4,571,311	4,411,826
Total OPEB Liability	883,985	849,234
Compensated Absences	135,132	143,462
Total Noncurrent Liabilities	10,635,616	11,411,352
Total Liabilities	12,222,422	12,889,771
<b>Deferred Inflows of Resources</b>		
Deferred Inflows of Resources Related to Pensions	47,989	58,455
Deferred Inflows of Resources Related to OPEB	182,354	206,075
Total Deferred Inflows of Resources	230,343	264,530
<b>Net Position</b>		
Net Investment in Capital Assets	17,447,766	17,775,712
Restricted for Debt Service	297	205
Unrestricted	952,444	(49,223)
Total Net Position	18,400,507	17,726,694
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 30,853,272	\$ 30,880,995



Municipal Utilities Board of the City of Albertville – Water 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	\$ 4,334,003	\$ 3,890,407
Commercial	1,120,017	1,013,454
Industrial	2,418,119	2,304,226
Fire Protection	18,437	18,131
Other Water Distributors	2,882,784	2,656,438
Total Sales	10,773,360	9,882,656
Other Operating Revenues:		
Customers' Forefited Discounts and Penalties	59,057	48,600
System Development Charge	100,073	58,215
Other Revenues	192,985	57,423
Total Operating Revenues	11,125,475	10,046,894
Operating Expenses		
Source of Water Supply	1,172,575	945,934
Power & Pumping	1,765,422	1,815,383
Purification	1,862,328	1,864,867
Transmission and Distribution	1,453,932	1,695,035
Customer Accounts	487,949	514,127
Administrative and General	1,454,753	1,395,477
Depreciation	2,195,846	2,157,025
	10,392,805	10,387,848
Operating income (loss)	732,670	(340,954)
Nonoperating Revenues (Expenses)		
Interest income	86,322	40,366
Interest expense	(142,429)	(163,768)
Trustee Fees	(2,750)	(2,750)
Total Nonoperating Revenues (Expenses)	(58,857)	(126,152)
Change in Net Position	673,813	(467,106)
Net Position - Beginning of Year	17,726,694	18,193,800
Net Position - End of Year	\$ 18,400,507	\$ 17,726,694

The accompanying notes are an integral part of this statement.

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

	2024	2023
Operating Activities		
Cash Received from Customers	\$ 10,551,399	\$ 9,794,027
Cash Paid to Suppliers	(4,786,366)	(5,962,971)
Cash Paid to Employees	(2,786,353)	(2,000,749)
Other operating cash receipts	84,312	181,775
Net Cash Provided By Operating Activities	<u>3,062,992</u>	<u>2,012,082</u>
Capital and Related Financing Activities		
Purchase and Construction of Capital Assets	(938,272)	(642,543)
Proceeds from sale of capital assets	45,875	-
Principal Payments on Warrants	(795,000)	(780,000)
Principal Payments on Direct Borrowings	(181,704)	(588,771)
Interest Paid on Warrants	(129,104)	(139,274)
Interest Paid on Direct Borrowings	(17,949)	(28,420)
Trustee fees	(2,750)	(2,750)
Net Cash Used By Capital and Related Financing Activities	<u>(2,018,904)</u>	<u>(2,181,758)</u>
Investing Activities		
Interest received	86,230	40,366
Net Cash (Used) Provided By Investing Activities	<u>86,230</u>	<u>40,366</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,130,318	(129,310)
Cash and cash equivalents, beginning	<u>2,937,822</u>	<u>3,067,132</u>
Cash and Cash Equivalents, Ending	<u>\$ 4,068,140</u>	<u>\$ 2,937,822</u>

*The accompanying notes are an integral part of this statement.*

	2024	2023
Operating Income (loss)	\$ 732,670	\$ (340,954)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,236,774	2,304,682
(Gain) Loss on Disposition of Capital Assets	(43,086)	52,121
Bad Debt Expense	4,945	5,857
Decrease (increase) in operating assets and Increase (decrease) in operating liabilities:		
Receivables	(489,764)	(94,486)
Inventory	(70,437)	(141,139)
Prepaid Expenses	13,372	17,537
Accounts Payable and Accrued Expenses	120,172	(106,682)
Pension and OPEB Related Deferrals and Liabilities	558,346	315,146
Net Cash Provided By Operating Activities	<u>\$ 3,062,992</u>	<u>\$ 2,012,082</u>
Reconciliation of Depreciation Totals to Statements of Cash Flow		
Depreciation Expense	\$ 2,195,846	\$ 2,157,025
Depreciation of Transportation Equipment Included in Distribution Expenses	<u>40,928</u>	<u>147,657</u>
Total Depreciation	<u>\$ 2,236,774</u>	<u>\$ 2,304,682</u>

*The accompanying notes are an integral part of this statement.*

*NOTES TO THE  
FINANCIAL STATEMENTS*



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

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**NOTE 1 - OF SIGNIFICANT ACCOUNTING POLICIES REPORTING ENTITY**

REPORTING ENTITY

This report includes the financial statements of the Water System of the Municipal Utilities Board of the City of Albertville, Alabama. It does not include any of the governmental or fiduciary funds of the City of Albertville, nor does it include the following enterprise funds:

Electric 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:

Board of Directors  
Paul McAbee, Chairman  
Kasey Culbert, Member  
Keith McGee, Member

Management  
Elden Chumley, General Manager/Chief Executive Officer

NATURE OF BUSINESS

The operations of the Water System primarily consist of the sale and distribution of water services to citizens of the City of Albertville, Alabama.

ACCOUNTING POLICIES

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

All services provided by the Albertville Municipal Utilities Board (or "MUB") are billed and collected by the Electric System, with revenues recognized by each System through an intercompany system of accounting. Albertville MUB extends credit to its customers who are primarily located in Albertville, Alabama. 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.

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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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	0.00%	Office Equipment/Furniture	10.00%
Water Plant Structures and Improvements	4.00%	Transportation Equipment	10.00%
Raw Water Pump Station	4.00%	Communication Equipment	20.00%
Water Plant - Plant Equipment	15.00%	General Plant Equipment	8.00%
Transmission Mains	1.50%		
Distribution Mains	2.00%		
Storage Tanks	2.00%		
Miscellaneous Structures	3.00%		
Pumping Equipment / Pump Stations	4.00%		
Services	2.00%		
Meters	5.00%		
Hydrants	2.00%		

When property subject to depreciation is retired or otherwise disposed of, the original cost and accumulated depreciation are removed from the appropriate accounts at original cost, together with cost of removal. Salvage value is credited to the accumulated depreciation accounts.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

ACCRUED ANNUAL LEAVE AND SICK LEAVE

Employees of the Water System are provided various vacation and sick leave benefits and are accrued in the Water System’s financial statements. The annual leave policy of the Water 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	\$ 154,244	\$ 142,709

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	\$ 70,976	\$ 96,394

NET POSITION

Net position of the Water 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 Water System’s general policy to use restricted resources first.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

REVENUES AND EXPENSES

Operating revenues consist of revenues generated by the sale of water. 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 water, other than financing costs. Nonoperating expenses consist of interest expense and other expenses not directly related to providing water services.

STATEMENTS OF CASH FLOW

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

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.

SUBSEQUENT EVENTS

In preparing these financial statements, the Water 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.

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

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**NOTE 2 - DEPOSITS**

The Water 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	\$ 2,000	\$ 2,000	N/A
Demand Deposits	4,066,140	2,935,822	N/A
U.S. Treasuries	<u>297</u>	<u>205</u>	Custodial Credit
Total Cash and Investments	<u>\$ 4,068,437</u>	<u>\$ 2,938,027</u>	
Cash and Cash Equivalents	\$ 4,068,140	\$ 2,937,822	
Restricted Cash and Cash Equivalents	<u>297</u>	<u>205</u>	
Total Cash and Cash Equivalents per Statement of Net Position	<u>\$ 4,068,437</u>	<u>\$ 2,938,027</u>	

CUSTODIAL CREDIT RISK

All of the Water 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 – Water 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	\$ 737,583	\$ -	\$ -	\$ 737,583
General Plant:				
Land and Land Rights	37,203	-	-	\$ 37,203
Other Capital Assets:				
Construction Work-In-Progress	93,979	1,069,522	(888,320)	275,181
Total Capital Assets Not Being Depreciated	868,765	1,069,522	(888,320)	1,049,967
Capital Assets Being Depreciated:				
Water Plant:				
Water Plant - Structures & Improvements	28,493,843	142,500	(64,576)	28,571,767
Raw Water Pump Station	4,330,355	190,027	-	4,520,382
Water Plant - Plant Equipment	656,510	-	-	656,510
Transmission Mains	10,390,503	-	-	10,390,503
Distribution Mains & Accessories	10,200,880	170,428	-	10,371,308
Water Tanks	5,169,087	-	-	5,169,087
Miscellaneous Structures	3,338,742	1,799	-	3,340,541
Pumping Equipment / Pump Stations	658,440	-	-	658,440
Services	3,581,157	109,538	-	3,690,695
Meters	2,797,340	48,326	(195,405)	2,650,261
Hydrants	652,050	45,354	(1,742)	695,662
Total Water Plant	70,268,907	707,972	(261,723)	70,715,156
General Plant:				
Office/Computer Equipment and Furniture	383,909	32,093	-	416,002
Transportation Equipment	1,416,975	5,598	(67,032)	1,355,541
Communication Equipment	695,710	5,795	-	701,505
General Plant Equipment	664,681	12,252	-	676,933
Total General Plant	3,161,275	55,738	(67,032)	3,149,981
	73,430,182	763,710	(328,755)	73,865,137
Less Accumulated Depreciation for:				
Water Plant:				
Water Plant - Structures & Improvements	(25,295,736)	(1,140,686)	59,665	(26,376,757)
Raw Water Pump Station	(3,678,657)	(175,257)	-	(3,853,914)
Water Plant - Plant Equipment	(656,510)	-	-	(656,510)
Transmission Mains	(4,497,675)	(155,858)	-	(4,653,533)
Distribution Mains & Accessories	(4,994,141)	(204,804)	-	(5,198,945)
Water Tanks	(2,812,220)	(103,382)	-	(2,915,602)
Miscellaneous Structures	(1,308,588)	(100,185)	-	(1,408,773)
Pumping Equipment / Pump Stations	(359,819)	(26,338)	-	(386,157)
Services	(1,797,586)	(72,684)	-	(1,870,270)
Meters	(728,235)	(137,656)	185,940	(679,951)
Hydrants	(316,212)	(13,035)	4,532	(324,715)
Total Water Plant	(46,445,379)	(2,129,885)	250,137	(48,325,127)
General Plant:				
Office/Computer Equipment and Furniture	(383,909)	(17,333)	-	(401,242)
Transportation Equipment	(1,413,145)	(9,428)	67,031	(1,355,542)
Communication Equipment	(640,357)	(61,147)	-	(701,504)
General Plant Equipment	(656,911)	(18,981)	-	(675,892)
Total General Plant	(3,094,322)	(106,889)	67,031	(3,134,180)
	(49,539,701)	(2,236,774)	317,168	(51,459,307)
Total Capital Assets Being Depreciated, Net	23,890,481	(1,473,064)	(11,587)	22,405,830
Total Capital Assets, Net	\$ 24,759,246	\$ (403,542)	\$ (899,907)	\$ 23,455,797

Municipal Utilities Board of the City of Albertville – Water 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	\$ 737,583	\$ -	\$ -	\$ 737,583
General Plant:				
Land and Land Rights	37,203	-	-	37,203
Other Capital Assets:				
Construction Work-In-Progress	3,925	551,149	(461,095)	93,979
Total Capital Assets Not Being Depreciated	778,711	551,149	(461,095)	868,765
Capital Assets Being Depreciated:				
Water Plant:				
Water Plant - Structures & Improvements	28,483,236	10,607	-	28,493,843
Raw Water Pump Station	4,206,584	123,771	-	4,330,355
Water Plant - Plant Equipment	656,510	-	-	656,510
Transmission Mains	10,390,503	-	-	10,390,503
Distribution Mains & Accessories	10,085,455	115,425	-	10,200,880
Water Tanks	5,169,087	-	-	5,169,087
Miscellaneous Structures	3,314,022	24,720	-	3,338,742
Pumping Equipment / Pump Stations	658,440	-	-	658,440
Services	3,514,689	66,468	-	3,581,157
Meters	2,742,152	55,188	-	2,797,340
Hydrants	633,477	18,573	-	652,050
Total Water Plant	69,854,155	414,752	-	70,268,907
General Plant:				
Office/Computer Equipment and Furniture	383,909	-	-	383,909
Transportation Equipment	1,461,268	63,932	(108,225)	1,416,975
Communication Equipment	640,836	59,332	(4,458)	695,710
General Plant Equipment	658,160	6,521	-	664,681
Total General Plant	3,144,173	129,785	(112,683)	3,161,275
Less Accumulated Depreciation for:	72,998,328	544,537	(112,683)	73,430,182
Water Plant:				
Water Plant - Structures & Improvements	(24,156,283)	(1,139,453)	-	(25,295,736)
Raw Water Pump Station	(3,509,331)	(169,326)	-	(3,678,657)
Water Plant - Plant Equipment	(656,510)	-	-	(656,510)
Transmission Mains	(4,341,818)	(155,857)	-	(4,497,675)
Distribution Mains & Accessories	(4,791,198)	(202,943)	-	(4,994,141)
Water Tanks	(2,708,838)	(103,382)	-	(2,812,220)
Miscellaneous Structures	(1,209,106)	(99,482)	-	(1,308,588)
Pumping Equipment / Pump Stations	(333,481)	(26,338)	-	(359,819)
Services	(1,726,835)	(70,751)	-	(1,797,586)
Meters	(589,239)	(138,996)	-	(728,235)
Hydrants	(303,321)	(12,891)	-	(316,212)
Total Water Plant	(44,325,960)	(2,119,419)	-	(46,445,379)
General Plant:				
Office/Computer Equipment and Furniture	(383,909)	-	-	(383,909)
Transportation Equipment	(1,329,544)	(147,657)	64,056	(1,413,145)
Communication Equipment	(640,835)	(3,980)	4,458	(640,357)
General Plant Equipment	(623,285)	(33,626)	-	(656,911)
Total General Plant	(2,977,573)	(185,263)	68,514	(3,094,322)
Total Capital Assets Being Depreciated, Net	(47,303,533)	(2,304,682)	68,514	(49,539,701)
Total Capital Assets Not Being Depreciated, Net	25,694,795	(1,760,145)	(44,169)	23,890,481
Total Capital Assets, Net	\$ 26,473,506	\$ (1,208,996)	\$ (505,264)	\$ 24,759,246

#### **NOTE 4 – NONCURRENT LIABILITIES**

The Water System issues Revenue Warrants to provide funds primarily for capital improvements and refunding of other bonds. All bond issues are secured by a pledge on the net revenues of the Water System on parity with the pledge established by all bonds issued for each System.

##### Water Revenue Bonds, Series 2016

During the year ended June 30, 2017, the Water System issued Municipal Utilities Board of the City of Albertville Water Revenue Bonds, Series 2016 dated June 1, 2016. These warrants were authorized in the original amount of \$9,915,000 and bear interest ranging from 1.8% – 2.6% per annum, which is due on February 15 and August 15 each year according to stated maturity dates. The balance due on these warrants as of June 30, 2024 and 2023 was \$5,165,000 and \$5,960,000, respectively. Series 2016 bonds are secured by a pledge of revenues derived from the operation of the water system. The bond ordinance and indentures place certain restrictions on the use of revenues as discussed in Note 2.

##### Electric Note Payable (Direct Borrowing)

During the year ended June 30, 2014, the Water System purchased a portion of the Office Land, Building and Equipment from the Electric System, who financed the sale amount. The original amount of purchased assets was \$784,358 and the note bears interest ranging of 2.45% per annum, with payments of \$7,376.31 due monthly through November 1, 2023. The balance due on the note as of June 30, 2023 was \$36,657 and the note was paid in full during the year ended June 30, 2024.

##### Waste Water Note Payable (Direct Borrowing)

During the year ended June 30, 2020, the Water System refinanced the Water Revenue Bonds, Series 2010-SRF by borrowing from the Waste Water System. The Waste Water System issued a note dated December 19, 2019, for an original amount of \$1,480,643, and the note bears interest of 1.91% per annum. Payments of \$13,564.31 are due monthly, including interest and matures December 19, 2029. The balance due on the note as of June 30, 2024, and 2023 was \$849,185 and \$994,233, respectively.

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

**NOTE 4 – NONCURRENT LIABILITIES (Continued)**

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

	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due Within One Year
Revenue Warrants	\$ 5,960,000	\$ -	\$ (795,000)	\$ 5,165,000	\$ 815,000
Issue Discounts	(7,356)		1,201	(6,155)	-
	<u>5,952,644</u>	<u>-</u>	<u>(793,799)</u>	<u>5,158,845</u>	<u>815,000</u>
Debt from Direct Borrowings	1,030,890	-	(181,705)	849,185	147,842
Total Noncurrent Debt	<u>6,983,534</u>	<u>-</u>	<u>(975,504)</u>	<u>6,008,030</u>	<u>962,842</u>
Compensated Absences	239,103	140,540	(154,423)	225,220	90,088
Net Pension Liability	4,411,826	1,244,420	(1,084,935)	4,571,311	-
Total OPEB Liability	<u>849,234</u>	<u>68,782</u>	<u>(34,031)</u>	<u>883,985</u>	<u>-</u>
Total Noncurrent Liabilities	<u>\$ 12,483,697</u>	<u>\$ 1,453,742</u>	<u>\$ (2,248,893)</u>	<u>\$ 11,688,546</u>	<u>\$ 1,052,930</u>

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

	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due Within One Year
Revenue Warrants	\$ 6,740,000	\$ -	\$ (780,000)	\$ 5,960,000	\$ 795,000
Issue Discounts	(8,557)		1,201	(7,356)	-
	<u>6,731,443</u>	<u>-</u>	<u>(778,799)</u>	<u>5,952,644</u>	<u>795,000</u>
Direct Placement Debt	360,000	-	(360,000)	-	-
Debt from Direct Borrowings	1,259,661	-	(228,771)	1,030,890	181,704
Total Noncurrent Debt	<u>8,351,104</u>	<u>-</u>	<u>(1,367,570)</u>	<u>6,983,534</u>	<u>976,704</u>
Compensated Absences	252,457	87,629	(100,983)	239,103	95,641
Net Pension Liability	3,286,297	1,645,821	(520,292)	4,411,826	-
Total OPEB Liability	<u>852,655</u>	<u>98,820</u>	<u>(102,241)</u>	<u>849,234</u>	<u>-</u>
Total Noncurrent Liabilities	<u>\$ 12,742,513</u>	<u>\$ 1,832,270</u>	<u>\$ (2,091,086)</u>	<u>\$ 12,483,697</u>	<u>\$ 1,072,345</u>

## NOTE 5 – 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](http://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

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**NOTE 5 – 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 5 – 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.

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**NOTE 5 – 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			\$ -

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**NOTE 5 – 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

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**NOTE 5 – 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:

<b>Group</b>	<b>Membership Table</b>	<b>Set Forward (+)/ Setback (-)</b>	<b>Adjustment to Rates</b>
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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return*</b>
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	5.0%	1.5%
Total	100.0%	

\*Includes assumed rate of inflation of 2.00%

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**NOTE 5 – 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 – Water System  
Notes to Financial Statements (Continued)  
June 30, 2024 and 2023

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**NOTE 5 – 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/>.

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**NOTE 5 – 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>

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**NOTE 5 – DEFINED BENEFIT PENSION PLAN –(Continued)**

The deferred outflow of resources and deferred inflows of resources were reported in each 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 \$955,594 and \$1,320,950 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 6 – 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



**NOTE 6 – 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.

**NOTE 6 – 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 6 – 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

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Notes to Financial Statements (Continued)  
June 30, 2024 and 2023

**NOTE 6– 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:

	<u>2024</u>		<u>2023</u>	
	Long-Term Liability	Related Expense	Long-Term Liability	Related Expense
Electric System	\$ 1,280,255	\$ 54,494	\$ 1,229,925	\$ 75,558
Water System	883,985	74,006	849,234	52,170
Waste Water System	883,985	79,176	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 – Water System  
Notes to Financial Statements (Continued)  
June 30, 2024 and 2023

**NOTE 6 – 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>

**NOTE 6 – 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 7 – RELATED PARTIES**

The Electric System bills and collects revenues for the Water and Waste Water Systems in order to stream-line operations and will remit the billings to the respective Systems monthly. The amounts to be received by the Water System at June 30, 2024 and 2023 are \$853,041 and \$533,758, respectively.

**NOTE 8 – COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES**

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

Legal - The Water 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 Water 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.

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.

**NOTE 9 – CONCENTRATION OF CREDIT RISK**

Credit Risk

The Water 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 \$1,467,745, or 13%, and \$1,368,752, or 14% of total sales, respectively

*REQUIRED SUPPLEMENTARY  
INFORMATION*



Municipal Utilities Board of the City of Albertville – Water 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
<b>Total pension liability</b>										
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)	-	-
<b>Net change in total pension liability</b>	<b>1,872,429</b>	<b>1,037,720</b>	<b>2,844,339</b>	<b>1,487,382</b>	<b>1,253,170</b>	<b>1,222,132</b>	<b>524,994</b>	<b>1,441,454</b>	<b>1,271,833</b>	<b>709,292</b>
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
<b>Total pension liability - ending (a)</b>	<b>\$ 38,314,672</b>	<b>\$ 36,442,243</b>	<b>\$ 35,404,523</b>	<b>\$ 32,560,184</b>	<b>\$ 31,072,802</b>	<b>\$ 29,819,632</b>	<b>\$ 28,597,500</b>	<b>\$ 28,072,506</b>	<b>\$ 26,631,052</b>	<b>\$ 25,359,219</b>
<b>Plan fiduciary net position</b>										
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
<b>Net change in plan fiduciary net position</b>	<b>1,910,209</b>	<b>(3,291,237)</b>	<b>3,798,446</b>	<b>488,591</b>	<b>(356,780)</b>	<b>1,115,856</b>	<b>932,848</b>	<b>1,081,326</b>	<b>(344,049)</b>	<b>1,149,481</b>
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
<b>Plan net position - ending (b)</b>	<b>\$ 21,383,892</b>	<b>\$ 19,473,683</b>	<b>\$ 22,764,920</b>	<b>\$ 18,966,474</b>	<b>\$ 18,477,883</b>	<b>\$ 18,834,663</b>	<b>\$ 17,718,807</b>	<b>\$ 16,785,959</b>	<b>\$ 15,704,633</b>	<b>\$ 16,048,682</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 16,930,780</b>	<b>\$ 16,968,560</b>	<b>\$ 12,639,603</b>	<b>\$ 13,593,710</b>	<b>\$ 12,594,919</b>	<b>\$ 10,984,969</b>	<b>\$ 10,878,693</b>	<b>\$ 11,286,547</b>	<b>\$ 10,926,419</b>	<b>\$ 9,310,537</b>
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 – Water 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 – Water 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
<b>Total OPEB liability</b>							
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 – Water System  
Schedule of Operating Expenses  
For the Year Ended June 30, 2024

	2024		2023	
	Amount	Percent of Operating Revenue	Amount	Percent of Operating Revenue
DEPRECIATION	\$ 2,195,846	19.97%	\$ 2,157,025	21.47%
SOURCE OF WATER SUPPLY				
Salaries and Wages	433,238	3.94%	411,012	4.09%
Supplies	16,178	0.15%	23,414	0.23%
Maintenance	244,557	2.22%	52,176	0.52%
Employee Welfare	468,253	4.26%	449,199	4.47%
General	10,349	0.09%	10,133	0.10%
	<u>1,172,575</u>	<u>10.66%</u>	<u>945,934</u>	<u>9.41%</u>
POWER AND PUMPING				
Purchased Power	1,339,626	12.18%	1,400,624	13.94%
Salaries and Wages	376,304	3.42%	352,530	3.51%
Supplies	1,680	0.02%	591	0.01%
Maintenance	39,509	0.36%	45,033	0.45%
Maintenance and Generators	8,303	0.08%	16,605	0.17%
	<u>1,765,422</u>	<u>16.06%</u>	<u>1,815,383</u>	<u>18.08%</u>
PURIFICATION				
Salaries and Wages	376,391	3.42%	352,576	3.51%
Supplies and Chemicals	1,482,479	13.48%	1,505,324	14.98%
Maintenance	3,458	0.03%	6,967	0.07%
	<u>1,862,328</u>	<u>16.93%</u>	<u>1,864,867</u>	<u>18.56%</u>
TRANSMISSION AND DISTRIBUTION				
Sludge Disposal	394,730	3.59%	395,559	3.94%
System Operation	418,919	3.81%	462,362	4.60%
System Maintenance	564,921	5.14%	748,310	7.45%
Meter Repair and Tests	830	0.01%	4,579	0.05%
Mapping	74,532	0.68%	84,225	0.84%
	<u>1,453,932</u>	<u>13.23%</u>	<u>1,695,035</u>	<u>16.88%</u>
CUSTOMER ACCOUNTS				
Meter Reading & Collection	487,949	4.44%	514,127	5.12%
	<u>487,949</u>	<u>4.44%</u>	<u>514,127</u>	<u>5.12%</u>
ADMINISTRATIVE & GENERAL				
Salaries and Wages	89,811	0.82%	87,472	0.87%
General	137,674	1.25%	136,701	1.36%
Employee Pensions & Benefits	1,092,617	9.93%	1,033,297	10.28%
Insurance	123,341	1.12%	120,875	1.20%
Maintenance of Property	11,310	0.10%	17,132	0.17%
	<u>1,454,753</u>	<u>13.22%</u>	<u>1,395,477</u>	<u>13.88%</u>
TOTAL OPERATING EXPENSES	\$ 10,392,805	94.51%	\$ 10,387,848	103.40%

Municipal Utilities Board of the City of Albertville – Water System  
 Schedule of Operating Statistics  
 For the Year Ended June 30, 2024

Customer Accounts and Gallons Sold

	Average Number of Customers	Annual Consumption (Gal.)
Residential	9,401	585,764,400
Commercial	1,194	230,087,400
Industrial	29	1,110,813,000
Other Distributors	10	1,413,620,800
Total	10,634	3,340,285,600

Largest Customers - Water Revenue, Percentage of Total Water Revenue and Gallons

	Water Revenues	Percentage of Water Revenues	Consumption (Gal.)
Boaz Water Works	\$ 1,467,745	13.62%	726,299,200
Tyson Foods, Inc.	801,006	7.44%	379,347,200
Wayne Farms, LLC	551,753	5.12%	258,659,000
Huhtamaki Retail	526,719	4.89%	257,528,100
Collinsville Water Works	513,946	4.77%	255,404,000
NE Alabama Water Sewer & Fire	317,489	2.95%	153,333,400
Asbury Water System	311,052	2.89%	149,005,000
Guntersville Water and Sewer	225,377	2.09%	112,715,500
Alatrade Foods, Inc.	192,128	1.78%	86,734,700
OK Foods	170,601	1.58%	67,925,000
Mueller Company	95,239	0.88%	28,451,200
Emmaus Foods, LLC	78,361	0.73%	30,737,100
Southern Parallel	34,237	0.32%	11,421,800
	\$ 5,285,653	49.06%	2,517,561,200
 Total Water Sales Revenue	 \$ 10,773,360		

Average Residential Usage - Gallons

Total Annual Consumption	Average Monthly Consumption	Average Number of Customers	Average Monthly Consumption per Customer
585,764,400	48,813,700	9,401	5,192

Municipal Utilities Board of the City of Albertville – Water System  
 Schedule of Operating Statistics - (Continued)  
 For the Year Ended June 30, 2024

Measurement of Transmission Mains and Distribution Lines

	<u>Total Feet</u>	<u>Total Cost</u>	<u>Price per Foot</u>
1 1/2" Galvanized Iron	200	\$ 87	\$ 0.44
2" Galvanized Iron	81,564	65,970	0.81
2" C.I. Pipe	131,068	118,364	0.90
2" PVC Pipe	319,653	709,253	2.22
2" HDPE	3,442	30,423	8.84
3" C.I. Pipe	26,557	20,448	0.77
3" PVC Pipe	5,920	36,439	6.16
4" C.I. Pipe	1,860	1,922	1.03
6" HDPE Pipe	960	24,699	25.73
6" C.I. Pipe	136,177	1,177,167	8.64
6" PVC / D.I. Pipe	619,462	4,837,424	7.81
8" C.I. / D.I. Pipe	80,293	574,564	7.16
8" PVC Pipe	21,400	144,082	6.73
10". 12". 14" & 16" C.I. & PVC Pipe	63,616	1,178,967	18.53
	<u>1,492,172</u>	<u>\$ 8,919,809</u>	<u>\$ 95.77</u>

Total Miles of Distribution Pipeline 282.61

	<u>Total Feet</u>	<u>Total Cost</u>	<u>Price per Foot</u>
8" PVC/D.I. Pipe	35,528	\$ 238,261	\$ 6.71
12" PVC/D.I. Pipe	67,412	1,541,314	22.86
16" D.I. Pipe	138,034	2,355,046	17.06
18" D.I. Pipe	56,812	1,126,375	19.83
24" D.I. Pipe	25,196	2,373,121	94.19
36" D.I. Pipe	18,084	2,373,121	131.23
	<u>341,066</u>	<u>\$ 10,007,238</u>	<u>\$ 291.87</u>

Total Miles of Transmission Pipeline 64.60

Municipal Utilities Board of the City of Albertville – Water System  
 Schedule of Debt Service Requirements to Maturity  
 For the Year Ended June 30, 2024

Maturity Date	Water Revenue Bonds, Series 2016 Dated June 16, 2016				Note Payable - Waste Water System Dated December 19, 2019				Total Principal and Interest
	Interest Rate	Principal	Interest	Total	Interest Rate	Principal	Interest	Total	
2025	2.00%	\$ 815,000	\$ 110,200	\$ 925,200	1.91%	\$ 147,842	\$ 14,930	\$ 162,772	\$ 1,087,972
2026	2.10%	830,000	93,335	923,335	1.91%	150,690	12,082	162,772	1,086,107
2027	2.20%	850,000	75,270	925,270	1.91%	153,595	9,177	162,772	1,088,042
2028	2.30%	870,000	55,915	925,915	1.91%	156,554	6,218	162,772	1,088,687
2029	2.50%	890,000	34,785	924,785	1.91%	159,570	3,202	162,772	1,087,557
2030	2.60%	910,000	11,830	921,830	1.91%	80,934	449	81,383	1,003,213
		<u>\$ 5,165,000</u>	<u>\$ 381,335</u>	<u>\$ 5,546,335</u>		<u>\$ 849,185</u>	<u>\$ 46,058</u>	<u>\$ 895,243</u>	<u>\$ 6,441,578</u>

*ADDITIONAL REPORTING REQUIRED BY  
GOVERNMENT AUDITING STANDARDS*







**Darrell W. Wates, CPA, PC**  
**dba D. Wates and Associates**  
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 Water System enterprise fund of the Municipal Utilities Board of the City of Albertville (the "Water 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 December 16, 2024

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Water 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 Water System's internal control. Accordingly, we do not express an opinion on the effectiveness of the Water 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**  
**dba D. Wates and Associates**  
Certified Public Accountants / Consultants

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## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Water 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

December 16, 2024

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

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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 – Water System  
Schedule of Findings  
For the year ended June 30, 2024

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Section II – Financial Statement Findings

None Noted

Municipal Utilities Board of the City of Albertville – Water System  
Status of Prior Year Findings and Responses  
For the year ended June 30, 2024

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**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 \$299,923 and \$43,722, respectively.
- The OPEB expense for June 30, 2023 was increased by \$36,271 and the related deferred outflow account for June 30, 2023 was decreased by \$36,271.

**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.