Alabama Municipal Electric Authority

Financial Statements as of and for the
Years Ended September 30, 2020 and 2019,
Additional Information for the Years Ended
September 30, 2020 and 2019, and
Independent Auditors' Report

ALABAMA MUNICIPAL ELECTRIC AUTHORITY

TABLE OF CONTENTS

ALABAMA MUNICIPAL ELECTRIC AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Corporate Structure—The Alabama Municipal Electric Authority (AMEA or the "Authority") is a nonprofit joint action agency created on August 17, 1981, under Act No. 81-681 (the "Act"), General Laws of Alabama. The Authority is a public corporation whose primary purpose is to provide reliable and economical electric power to its 11 members.

Joint Action—The Authority is composed of 11 members consisting of municipalities, utilities boards, and an electric board, all located in the state of Alabama (the "Participating Members"), each of which owns and operates an electrical distribution system. Each Participating Member has signed a purchase power contract with the Authority that continues through at least December 31, 2045.

Legal Authority—The Act provides that the Authority will establish rates and charges to produce revenues sufficient to cover its costs, including debt service. The Authority is specifically authorized by the Act to undertake projects for its members and to issue tax-exempt bonds and other obligations to finance the costs of such projects.

Overview of the Financial Statements—This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. These financial statements are designed to provide readers with an overview of the Authority's finances in a manner similar to private sector businesses.

The statements of net position present information on all of the Authority's assets/deferred outflows and liabilities/deferred inflows, with the difference between the two being reported as net position. The Authority limits the amount of net position to amounts necessary to fund any capital assets that need to be purchased that are not funded by bond issues. Other excess funds are transferred to the Rate Stabilization account unless otherwise designated by the Board of Directors. The Rate Stabilization account funds will be used to help reduce future rate increases to the Participating Members.

The statements of revenues and expenses and changes in net position present information relative to how the Authority's net position changed during the fiscal years presented. All changes in net position are reported on the accrual basis as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will result in cash flow in future fiscal years.

Proprietary Funds—The Authority operates only one type of proprietary fund—the enterprise fund type. Enterprise funds are used to report business-type activities (as contrasted with tax-supported governmental activities).

Notes to Financial Statements—The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis—2020 Compared to 2019

Condensed statements of net position as of September 30, 2020 and 2019, are as follows:

	2020	2019
Long-term assets	$ 30,276,490	$ 34,312,523
Current assets	94,683,389	102,077,122
Deferred outflows of resources	2,450,279	1,142,096
Total assets and deferred outflows of resources	127,410,158	137,531,741
Long-term liabilities	27,908,508	29,412,014
Current liabilites	30,301,130	36,161,085
Deferred inflows of resources	40,076,982	40,535,772
Total liabilities and deferred inflows of resources	98,286,620	106,108,871
Net position	$ 29,123,538	$ 31,422,870

Total Assets and Deferred Outflows of Resources

Total assets and deferred outflows of resources decreased by $10,121,583 from FY 2019 to FY 2020. Components of this change are as follows:

- Long-term assets decreased by $4,036,033. Long-term asset changes are as follows:
  - property and equipment, net, decreased by $1,523,229, which was largely due to normal depreciation of assets;
  - other long-term assets increased by $90,258, of which the majority of the change came from a $75,000 increase in long-term receivables of AMEA's Capital Fund Program, which resulted from new loans being made;
  - special funds invested decreased by $2,868,270. Most of this difference is a result of a structural change in bond financing. In FY 2019, special funds invested included a $2,786,011 debt service reserve account as required for the Authority's 2013 Series A Bonds. In 2020, these bonds were refunded with the creation of the 2020 Series A Bonds. The new bonds do not have a debt service reserve account tied to them as they are instead insured with a surety bond;
  - regulatory assets increased by $265,208 due to a change in pension valuation and offset by standard amortization of assets.
- Current assets decreased by $7,393,733, of which notable items are as follows:
  - revenue fund decreased by $58,684 and the operations and maintenance fund decreased by $1,577,309;
  - receivables from participating members decreased by $5,585,967 due to a slight change in due dates of August power bills, which resulted in more payments made before year end as well as milder September

weather in 2020, which resulted in lower September invoices due at year end;

  - short-term Capital Fund Program receivable decreased by $207,500, as several loan payments were made during the previous twelve 12 months;
  - prepaid expenses increased by $93,269 as insurance premiums increased for FY 2020 just as they did industry wide;
  - other receivables and materials and supplies decreased minimally.

- Deferred outflows of resources increased by $1,308,183. This change was largely due to a $1,291,696 increase in loss on refunding debt, which resulted from the refunding of the 2013 bonds. The current-year pension expenses made up the rest of the deferred outflow of resources change.

Total Liabilities and Deferred Inflows of Resources—

Total liabilities and deferred inflows of resources decreased by $7,822,251 and was made up of the following changes:

- total long-term liabilities decreased by $1,503,506 due to the refunding of bonds and portion of bonds nearing maturity and offset by an increase in pension liability;
- current liabilities decreased by $5,859,955. This decrease is due to the following:
  - funds payable to members under the Smart Grid Initiative decreased by $2,426,023 due to total payments made equaling $5,426,023 and offset by an additional $3,000,000 allocated under the Smart Grid Initiative II;
  - amounts payable under power supply contracts decreased by $2,465,393 mostly due to significantly milder weather in September 2020 as compared to September 2019;
  - other current liabilities decreased by $968,538, due to a $595,000 decrease in current bond maturities, a $195,852 decrease in year end payables for gas for the AMEA-Sylacauga plant from 2019 to 2020, as well as many other small normal operating changes in liabilities;
- deferred inflows of resources decreased by $458,790, due to a $403,498 utilization of amounts recovered in future periods as well as the recovery of certain market changes.

Net Position - Net position decreased by $2,299,332.

A summary of operations for the years ended September 30, 2020 and 2019, is as follows:

	2020	2019
Gross operating revenues	$ 194,462,627	$ 207,470,053
Changes in net costs to be refunded to Participating Members	458,790	(915,849)
Operating revenues	194,921,417	206,554,204
Operating expenses:		
Purchased power expenses, Transmission and distribution expenses	182,207,148	194,256,153
Plant operating expenses	1,839,567	2,473,664
Administrative, general, and other operating expenses	8,184,298	8,389,009
Total operating expenses	192,231,013	205,118,826
Net operating income	2,690,404	1,435,378
Other income (expense)—net	10,264	902,262
Excess of revenues over expenses	2,700,668	2,337,640
Net position—beginning of year	31,422,870	29,085,230
Distribution to Members from Reserves	(5,000,000)	
Net position—end of year	$ 29,123,538	$ 31,422,870

Gross Operating Revenues—Gross operating revenues decreased by $13,007,426. Capacity sales decreased by $3,953,089 while energy sales were down $11,059,985. Smart Grid Initiatives' contribution differentials significantly added to the change as well. $3,000,000 and $5,000,000 of revenues were used to fund this initiative in 2020 and 2019, respectively.

Changes in Net Costs to be Refunded to Participating Members—The difference in this account was $1,374,638, mostly due to a $1,000,000 change in the annual transfer to rate stabilization from 2019(see Note 6).

Operating Expenses—Total operating expenses decreased by $12,887,813. Purchased power expenses decreased by $12,119,570, made up of a decrease in capacity costs of $2,913,700 and a decrease in energy costs of $9,205,870. Transmission and distribution costs increased by $70,564. Plant operating expenses decreased by $634,097. Other expenses in this category decreased by $204,710.

Other Income (Expense)—Net—Other income (expense)—net decreased by $891,998. $345,445 less was incurred in interest expense due to the refunding of the 2013 Series A bonds with the lower interest 2020 Series A bonds. Amortization of bond discounts, issuance costs, and excess costs of bond refunding changed by $54,142. Interest income decreased by $811,701 as interest rates fell throughout 2020 on all investments. Investment gain (loss) decreased by $253,817, and other income decreased by $117,783.

Distribution to Members from Reserves – At the April 2020 Board meeting, the Authority's Board of Directors approved a $5,000,000 emergency withdrawal of reserves to assist members. The unrestricted net assets were distributed on Member bills the following month to relieve the financial stress created by the economic downturn and uncertainty of the onset of the Covid-19 pandemic. Distribution was made pro rata with energy purchases from FY 2019.

Liquidity and Capital Resources—On September 30, 2020, the Authority had cash and cash equivalents of $35,542,892, a decrease of $15,230,946 from the prior year. Cash receipts for operating activities were $5,021,560 more than cash paid for operating expenses. $10,596,609 was paid out for capital and related financing activities, and $9,655,898 was paid out for investing activities. Cash and cash equivalents balances are composed of the Working Capital account, including the Operating and Maintenance fund, and the Rate Stabilization account, which is included in the Revenue fund.

The Authority's debt classified as long-term as of September 30, 2020, is $25,220,000. This debt was issued during FY 2020 to refinance the 2013 bonds, which was a refunding of the 2003 bonds that created funds for the construction of the AMEA-Sylacauga plant. Future revenues from the sale of electricity to members are expected to be sufficient to fully retire this debt at scheduled maturity dates through 2040 (see Note 7).

Independent Auditors' Report

Board of Directors
Alabama Municipal Electric Authority
Montgomery, Alabama

We have audited the accompanying financial statements of the business-type activities of the Alabama Municipal Electric Authority, as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Alabama Municipal Electric Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

ALDRIDGE, BORDEN & COMPANY, P.C.
Certified Public Accountants
74 Commerce Street, 36104
Post Office Box 33, 36101-0033
Montgomery, Alabama
334.834.6640 *tel*
www.aldridgeborden.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Alabama Municipal Electric Authority, as of September 30, 2020 and 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in the Net Pension Liability, and Schedule of Employer Contributions information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The supplementary information on pages 38 through 40, are presented for purposes of additional analysis and are not a required part of the financial statements.

This supplementary information is the responsibility of the Authority's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Aldridge, Borden and Company, P.C.

Montgomery, Alabama
February 18, 2021

ALABAMA MUNICIPAL ELECTRIC AUTHORITY

STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2020 AND 2019

	2020	2019
ASSETS		
PROPERTY AND EQUIPMENT - Net	$ 18,631,447	$ 20,154,676
OTHER LONG-TERM ASSETS:		
Investments	350,000	350,000
Capital fund program receivables	750,000	675,000
Prepaid expenses	85,748	70,490
Total other long-term assets	1,185,748	1,095,490
SPECIAL FUNDS INVESTED (restricted):		
Debt service fund	144,917	3,013,187
Reserve and contingency fund	5,000,000	5,000,000
Total special funds invested	5,144,917	8,013,187
CURRENT ASSETS:		
Funds invested:		
Revenue fund	44,000,041	44,058,725
Operation and maintenance fund	31,148,692	32,726,001
Total funds invested	75,148,733	76,784,726
Receivables from participating members - net	18,218,485	23,804,452
Other receivables	258,540	310,803
Materials and supplies	333,045	338,324
Capital fund program receivable	481,750	689,250
Prepaid expenses	242,836	149,567
Total current assets	94,683,389	102,077,122
REGULATORY ASSETS - Net	5,314,378	5,049,170
DEFERRED OUTFLOWS OF RESOURCES:		
Loss on refunding debt	2,267,351	975,655
Pension	182,928	166,441
Total deferred outflows of resources	2,450,279	1,142,096
TOTAL	$ 127,410,158	$ 137,531,741

ALABAMA MUNICIPAL ELECTRIC AUTHORITY

STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2020 AND 2019

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	2020	2019
LONG-TERM LIABILITIES:		
Revenue bonds—net of unamortized discounts	$ 25,220,000	$ 27,036,283
Pension liability	2,688,508	2,375,731
Total long-term liabilities	27,908,508	29,412,014
PAYABLE FROM RESTRICTED ASSETS:		
Current maturities of revenue bonds		1,645,000
Special funds—accrued interest on revenue bonds	57,417	90,093
Total payable from restricted assets	57,417	1,735,093
CURRENT LIABILITIES:		
Current maturities of revenue bonds	1,050,000	
Amounts payable under power supply contracts	15,792,409	18,257,803
Members - Smart Grid Initiative	12,717,042	15,143,065
Other current liabilities	684,262	1,025,124
Total current liabilities	30,243,713	34,425,992
Total liabilities	58,209,638	65,573,099
DEFERRED INFLOWS OF RESOURCES—Net costs to be refunded to participating members	40,076,982	40,535,772
NET POSITION:		
Invested in capital assets—net of related debt	(7,638,553)	(6,881,607)
Restricted for:		
Debt service	87,500	1,278,094
Extraordinary plant maintenance	5,000,000	5,000,000
Unrestricted - Board Designated	1,000,000	1,000,000
Unrestricted	30,674,591	31,026,383
Total net position	29,123,538	31,422,870
TOTAL	$ 127,410,158	$ 137,531,741

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

ALABAMA MUNICIPAL ELECTRIC AUTHORITY

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
OPERATING REVENUES:		
Sales of electricity to participating members	$ 194,313,756	$ 207,325,076
Sales of electricity—other	148,871	144,977
Gross operating revenues	194,462,627	207,470,053
Changes in net costs to be refunded to participating members	458,790	(915,849)
Operating revenues	194,921,417	206,554,204
OPERATING EXPENSES:		
Partial requirements services:		
Purchased power	163,856,718	175,976,287
Transmission and distribution	18,350,430	18,279,866
Plant operating expenses	1,839,567	2,473,664
Other operating and maintenance expenses	660,441	757,029
Administrative and general expenses	5,192,762	5,355,416
Amortization and depreciation	2,331,095	2,276,564
Total operating expenses	192,231,013	205,118,826
NET OPERATING INCOME	2,690,404	1,435,378
OTHER INCOME (EXPENSE):		
Interest expense	(793,791)	(1,139,236)
Interest income	856,747	1,668,448
Investment gain (loss)—net	155,688	409,505
Other income	18,088	135,871
Amortization of bond discounts, issuance costs, and excess costs of bond refunding	(226,468)	(172,326)
Total other income (expense)—net	10,264	902,262
EXCESS OF REVENUES OVER EXPENSES	2,700,668	2,337,640
NET POSITION:		
Balance—beginning of year	31,422,870	29,085,230
Distribution to Members from reserves	(5,000,000)	0
Balance—end of year	$ 29,123,538	$ 31,422,870

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

ALABAMA MUNICIPAL ELECTRIC AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
OPERATING ACTIVITIES:		
Cash received from sales of electricity	$ 205,423,483	$ 216,433,095
Cash paid under power supply contracts	(184,744,445)	(194,458,757)
Cash paid to other suppliers and employees	(15,811,145)	(16,163,310)
Other cash receipts	153,667	88,751
Net cash provided by operating activities	5,021,560	5,899,779
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payment for acquisition of property and equipment	(649,891)	(754,596)
Principal paid on revenue bond maturities	(29,445,000)	(1,585,000)
Distribution to Members	(5,000,000)	
Interest paid on revenue bonds	(376,001)	(1,144,519)
Proceeds from sale of property		375,000
Proceeds from issuing or refunding bonds	26,965,000	
Other financing costs	(2,090,717)	(52,267)
Net cash used in capital and related financing activities	(10,596,609)	(3,161,382)
INVESTING ACTIVITIES:		
Payments for purchases of funds invested	(15,945,345)	(5,521,904)
Proceeds from sale of funds invested	5,137,956	3,238,187
Interest income received	1,151,491	1,450,387
Net cash used in investing activities	(9,655,898)	(833,330)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(15,230,947)	1,905,067
CASH AND CASH EQUIVALENTS—Beginning of year	50,773,839	48,868,772
CASH AND CASH EQUIVALENTS—End of year	$ 35,542,892	$ 50,773,839
Displayed as:		
Revenue fund	$ 44,000,041	$ 44,058,725
Operation and maintenance fund	31,148,692	32,726,001
Less: investments and accrued interest	(39,605,841)	(26,010,887)
Cash and cash equivalents - End of year	$ 35,542,892	$ 50,773,839

ALABAMA MUNICIPAL ELECTRIC AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	**2019**
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net operating income	$ 2,690,403	$ 1,435,377
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Changes in net costs to be refunded to participating members	(458,790)	915,849
Amortization and depreciation	2,331,095	2,276,564
Other cash receipts	12,283	133,310
Changes in assets and liabilities:		
Receivables	5,720,724	2,705,804
Prepaid expenses	(93,269)	(21,351)
Materials and supplies	5,279	(55,309)
Deferred outflow of resources—Pension	(16,487)	(11,246)
Amounts payable under power supply contracts	(2,465,393)	(169,181)
Amounts payable under Smart Grid Initiative	(2,426,023)	(1,025,224)
Other liabilities	(278,262)	(284,814)
Total adjustments	2,331,157	4,464,402
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 5,021,560	$ 5,899,779

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

1. ORGANIZATION AND OPERATIONS

Alabama Municipal Electric Authority (AMEA or the "Authority") is a public corporation in the state of Alabama. The Authority was created on August 17, 1981, pursuant to the provisions of Act No. 81-681 of the State of Alabama Legislature for the purpose of securing an adequate, dependable, and economical power supply for its participating members. The Authority's power supply is provided under the terms of contractual arrangements, generation at the AMEA-Sylacauga plant, or purchased in the open market (see Note 4). The Authority sells power pursuant to Power Sales Contracts (see Note 3) to each of its 11 participating members (the "Participating Members"), which consist of municipalities, utility boards, and an electric board. Each Participating Member owns and operates its own electric distribution system.

The activities of the Authority are formally promulgated by and financed under The Power Supply System Revenue Bond Resolution (the "Resolution"), as supplemented and amended, adopted by the board of directors (the "Board"). The Resolution established special funds to hold proceeds from debt issuances; such proceeds are restricted and are to be used for development and acquisition costs and to maintain certain reserves. The Resolution also established additional special funds in which revenues from participating members are to be deposited and from which operating costs, debt service, and other specified payments are to be made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting—The accounting records of the Authority are maintained on an accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting and the Financial Accounting Standards Board (FASB) that does not conflict with accounting standards issued by the GASB. The Authority also complies with policies and practices prescribed by its Board and practices common in the utility industry. Also, the accounts of the Authority are maintained in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC).

New Accounting Standards—In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This statement will become effective for the Authority for FY2022. Management has not yet determined the impact it will have on the Authority's financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* This statement will become effective for the Authority for FY2022. Management has not yet determined the impact it will have on the Authority's financial statements.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61.* This statement will become effective for the Authority for FY2021. Management has not yet determined the impact it will have on the Authority's financial statements.

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. This statement will become effective for the Authority for FY2023. Management has not yet determined the impact it will have on the Authority's financial statements.

In January 2020, the GASB issued GASB Statement No. 92, *Omnibus 2020*. This statement will become effective for the Authority for FY2022. Management has not yet determined the impact it will have on the Authority's financial statements.

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. This statement will become effective for the Authority for FY2022. Management has not yet determined the impact it will have on the Authority's financial statements.

In March 2020, the GASB issued GASB Statement No, 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This statement will become effective for the Authority for FY2023. Management has not yet determined the impact it will have on the Authority's financial statements.

In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement became effective immediately and changed implementation dates of some GASB statements (new dates listed).

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement will become effective for the Authority for FY2023. Management has not yet determined the impact it will have on the Authority's financial statements.

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. This statement will become effective for the Authority for FY2021 and FY2022. Management has not yet determined the impact it will have on the Authority's financial statements.

Regulatory Assets and Liabilities—As the Board has the authority to set rates, the Authority follows GASB Statement No. 62, which provides for the reporting of assets and liabilities consistent with the economic effect of the rate structure. Regulatory assets represent probable future revenues associated with certain costs that are expected to be recovered from customers through the rate-making process. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are expected to be credited to customers through the rate-making process.

Regulatory assets reflected in the Authority's statements of net position as of September 30, 2020 and 2019, relate to the following:

	2020	2019	Note
Power supply agreements implementation costs	$ 504,924	$ 609,030	(a)
Delivery point development costs	1,650,155	1,758,362	(b)
Unamortized bond issuance costs	470,791	306,046	(c)
Pension	2,688,508	2,375,731	(d)
	$ 5,314,378	$ 5,049,170	

(a) Power supply agreements (PSAs) implementation costs were incurred by the Authority for the former agreement with Alabama Power Company, the contract with Santee Cooper, and the costs of negotiating the Amended and Restated PSA (the "Amended and Restated PSA") with Alabama Power Company. The Authority's Board directed the Authority to defer and amortize these costs over the terms of the agreements. The recorded amounts are presented net of accumulated amortization of $780,973 and $676,867 for 2020 and 2019, respectively.

(b) Delivery point development costs were incurred by the Authority in the construction of transmission substations required in order for Participating Members to efficiently receive power. The Authority's Board directed the Authority to defer and amortize these costs over the life of the contract with Participating Member or the life of the asset, whichever is shorter. The recorded amounts are presented net of accumulated amortization of $1,160,275 and $1,052,068 for 2020 and 2019, respectively.

(c) Bond issuance costs were incurred by the Authority for the Series 2013A Bonds. During FY 2020, the Authority refunded the Series 2013A Bonds with the Series 2020A Bonds and incurred additional bond issuance costs. The Authority's Board directed the Authority to defer and amortize these costs over the life of the bonds. The recorded amounts are presented net of accumulated amortization of $20,877 and $236,330 for 2020 and 2019, respectively.

(d) GASB Statement No. 68 requires that the funded status of defined benefit pensions be included in the Statement of Net Position. The Authority's Board directed the Authority to recognize this amount as a regulatory asset. This recorded amount will change annually based on actuarial values provided by the Retirement Systems of Alabama (RSA). See Note 8 for more details.

Cash and Cash Equivalents—The Authority considers cash and cash equivalents to be all unrestricted, highly liquid instruments, the amounts of which are included in certain funds as of September 30, 2020 and 2019, as follows:

	2020	2019
Revenue fund—rate stabilization	$ 35,542,892	$ 50,773,839

The carrying amount of the Authority's deposits in Regions Bank public funds accounts as of September 30, 2020 and 2019, was $35,290,563 and $50,470,016, respectively. Of this amount, $250,000 was insured by the Federal Deposit Insurance Corporation (FDIC) and $35,040,563 and $5,250,016, respectively, was covered by the State of Alabama Security for Alabama Funds Enhancement Act (SAFE) program for public funds. The SAFE program became effective on January 1, 2001, and in case of a failure of a financial institution in the state of Alabama, the SAFE program provides loss coverage for all public funds deposited in excess of amounts covered by the FDIC. As of September 30, 2019, $44,970,000 of the deposits in Regions Bank public funds account were invested in Morgan Stanley Government Institution mutual funds, which meet collateralization requirements. However, this structure was no longer in use as of September 30, 2020. $252,329 and

$303,823 the Authority's cash and cash equivalents was held in a trust account's government portfolio with Regions Bank for 2020 and 2019, respectively.

Investments—The Authority accounts for investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this statement, investments are recorded at fair value for purposes of reporting under GAAP. Investments in the debt service fund are stated at amortized cost or cost for purposes of reporting in accordance with the terms of the Resolution. At September 30, 2020 and 2019, the fair value of investments in the revenue fund totaled $39,605,800 and $25,952,162, respectively. These investment securities are bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies.

Receivables from Participating Members—Receivables derived from sales of electricity to Participating Members represent a substantial portion of the total receivables balance.

Capital Fund Program—In 2000, the Authority established the capital fund program. The objective of this program is to assist its member communities in the development or improvement of sites and facilities available for economic development. If a member meets the criteria of the program, it would be eligible for the noninterest bearing loan. The maximum total amount of loans that can be made from this program is $3,000,000 as of September 30, 2020, and was approved by the Budget/Audit/Rate (BAR) Committee of the Board. The Authority's BAR Committee administers this program. The loans are payable based on terms established by this committee.

Materials and Supplies—Materials and supplies include the historical costs of the AMEA-Sylacauga plant materials. Materials are either expensed or capitalized to plant when placed into service and then reconciled with a physical inventory at year end.

Property and Equipment—All property and equipment is recorded at cost and depreciation is computed using the straight-line method over the estimated useful lives of 3 to 35 years. Depreciation expense was $2,118,782 and $2,065,544 for the years ended

September 30, 2020 and 2019, respectively. Property and equipment at September 30, 2020 and 2019, consisted of the following items:

	2020	2019
Electric plant	$42,892,673	$42,693,303
Building	2,281,051	2,162,694
Land	1,455,009	1,455,009
AMEA solar park	306,500	306,500
Member solar parks	707,290	609,333
Equipment	780,424	747,367
Transportation equipment	180,524	179,234
SCADA system	335,261	335,261
Construction Work in Progress	45,615	68,422
	48,984,345	48,557,122
Accumulated depreciation	30,352,899	28,402,446
Property and equipment—net	$18,631,447	$20,154,676

Taxes—As an agency of the state of Alabama, the Authority's income is exempt from federal and state income taxes. The Authority is exempt from property and franchise or other privilege taxes; however, the Authority is subject to a statutory requirement to make a payment in lieu of property, sales, and certain other taxes.

Revenue Recognition—Operating revenues are recognized in the period that electricity is supplied to Participating Members and others. All other revenues are reflected in other income.

Accounting Estimates—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Reclassifications – Certain prior year amounts were reclassified to conform to the current year presentation.

Designated Net Assets – At the August 2019 Board of Directors meeting, the Authority's Board passed a resolution establishing the Electric Vehicle Charging Initiative. $1,000,000 was designated to be set aside from the Authority's reserves for funding of this initiative. This designation was made to assist Members who desire to improve their systems as changes arise from the growing electric vehicle market and may be used for (1) paying a portion of the costs of establishing electric vehicle charging station infrastructure incurred by the Authority's members electing to establish electric vehicle charging stations; and (2) providing funds for use in conjunction with Authority members obtaining local, state and federal grants requiring matching dollars for use in connection therewith.

3. POWER SALES CONTRACTS

Each Participating Member has entered into an Amended and Restated Power Sales Contract (the "Sales Contracts") with the Authority, which extends through December 31, 2035. During FY 2019, all Members extended their contracts with a rolling ten-year extension beyond 2035. The Sales Contracts require that the Authority furnish, and each Participating Member take and pay for, all power and energy requirements of the Participating Member ("full requirements services") in excess of that supplied by the Southeastern Power Administration (SEPA) and any excluded power supply resources, as defined. Initially, the Participating Members were required to purchase all of their full requirements services from the Authority. Beginning January 1, 2001, the power supply requirements may be limited by either the Participating Member or the Authority to equal the Participating Members' "Contract Rate of Delivery," which is defined as the highest billing demand of the Participating Member during the 24 billing periods preceding the effective date of the limitation, adjusted up or down by not more than 10%, to provide for optimal utilization of the Authority's resources.

Under the terms of the Sales Contracts, each Participating Member may acquire excluded power supply resources under certain conditions that include a provision that the total power obtained from such resources, excluding its SEPA allocation, cannot exceed 10% of the Participating Member's adjusted maximum demand (as defined) in any preceding calendar year.

Retail electric rates charged by the Participating Members to their local consumers are not subject to the regulatory control of the Alabama Public Service Commission (PSC or the "Commission"). The Sales Contracts stipulate that each Participating Member maintain retail rates sufficient to enable it to pay all amounts due to the Authority.

4. POWER SUPPLY AGREEMENTS

The Authority's power supply is provided under the terms of contractual arrangements, generation at the AMEA-Sylacauga plant, or purchased in the open market.

Currently and in the past, the Authority has entered into PSAs with Alabama Power Company (the "Company"), a subsidiary of Southern Company. On December 20, 2001, the Authority entered into its most recent PSA with the Company. This PSA became effective on January 1, 2006. Under the PSA, the Company will deliver the capacity and energy sold to the Authority at the high voltage side of the transformers at the various generating units of the Company that provide capacity and energy under the PSA. The Company will provide 100% of the Authority's capacity and energy needs, as determined by the Authority, during the contract period, unless the Authority provided the Company notice to supply up to 20% of its 2006 forecasted capacity needs during years 2007–2015. The Company will provide all of the Authority's load growth during the contract period.

Pursuant to the provisions of Section 11-50A-25, Code of Alabama 1975, as amended, the Authority was required to file the PSA with the Alabama Public Service Commission (the "PSC"). On May 7, 2002, the PSC ordered that "the Agreement and the rates to be charged by the Authority pursuant to the provisions of the Agreement are not disapproved by the Commission." The PSA, pursuant to the FERC regulations, does not require the PSC's approval.

On June 7, 2012, the Authority further amended and restated the PSA with the Company. The Amended and Restated PSA is a modification of the PSA entered into on December 20, 2001, with the Company. The Amended and Restated PSA began on January 1, 2013, and continues each calendar year, unless and until terminated by either the Authority or the Company providing a three-year notice. The supply term cannot be terminated prior to December 31, 2025. Under the Amended and Restated PSA, the Company will continue to deliver the capacity and energy sold to the Authority at the high voltage side of the transformers at the various generating units of the Company that provide capacity and energy under the Amended and Restated PSA. The Company will provide 100% of the Authority's capacity and energy needs, based on a formulary approach accounting for actual usage, as determined by the Company, during the contract period, unless the Authority provides the Company notice to supply up to 220 MW of its capacity needs during the years 2016–2020 and up to 320 MW of its capacity needs during the years 2021–2025.

Pursuant to the provisions of Section 11-50A-25, Code of Alabama 1975, as amended, the Authority was required to file the Amended and Restated PSA with the PSC. On July 10, 2012, the PSC ordered that "the Amended and Restated PSA and the rates to be charged by the Authority pursuant thereto are not disapproved by the Commission." The Amended and Restated PSA, pursuant to the FERC regulations, does not require the PSC's approval.

In order for the Authority to obtain transmission service to deliver the capacity and energy to the Authority's metering points with its Participating Members, the Authority entered into the agreement for Network Integration Transmission Service and the Network Operating Agreement, both dated December 29, 2005, with Southern Company Services, an affiliate of the Company. These agreements provide the transmission services required by the Authority to allow it to deliver the output of the resources defined in the PSA, the output of the AMEA-Sylacauga plant (see further discussion below), the output of the Santee Cooper resource (see further discussion below), and to deliver certain non-firm energy transactions. Both agreements were renewed for a 10-year period in December 2015.

On December 15, 2010, the Authority entered into an agreement for 50 MW of base load capacity and energy through a 10-year contract with the South Carolina Public Service Authority (Santee Cooper). This agreement began on January 1, 2014, and terminates on December 31, 2023. Under the agreement, Santee Cooper will deliver 50 MW of capacity and energy to the Southern Company Transmission System—Santee Cooper interface. The transmission at the interface to Southern Company was approved per the Southern Company Open Access Transmission Tariff procedures. The resource was noticed as an Alternate Resource per the PSA with the Company and a new Network Resource per the Southern Company Open Access Transmission Tariff procedures.

The AMEA-Sylacauga plant is a 95 MW gas-fired peaking generation facility located within the city limits of the city of Sylacauga, Alabama. The AMEA-Sylacauga Plant was financed with the $45,550,000 Power Supply System Revenue Bonds, 2003 Series A. The interconnection of the AMEA-Sylacauga Plant to the 115 kV transmission systems was agreed to by the Company. Gas and water supply are provided by the Utilities Board of the City of Sylacauga. The resource was noticed as a resource per the Partial Requirements Agreement with the Company in 2004. The resource was later noticed as an Alternate Resource per the PSA with the Company and new Network Resource per the Southern Company Open Access Transmission Tariff procedures beginning January 1, 2006.

On May 29, 2013, the Authority entered into a letter agreement with Tenaska Power Services Co. This agreement provides the Authority the opportunity to buy replacement energy on an hour-to-hour, daily, weekly, and monthly basis under the provisions of the Amended and Restated PSA.

On October 11, 2013, the Authority executed an amendment to the Amended and Restated PSA with the Company. This amendment modified among other things the capacity pricing and the amount of capacity that the Authority was required to purchase from the Company. Under the amendment the Authority could now provide the Company notice to supply up to 145 MW of its capacity needs during the years 2014–2015, up to 170 MW of its capacity needs during the years 2016-2020, and up to 270 MW of its capacity needs during the years 2021–2025.

Pursuant to the provisions of Section 11-50-A, Code of Alabama 1975, as amended, the Authority was required to file the amendment to the Amended and Restated PSA (the "Power Supply Agreement Amendment No. 1") with the PSC. On November 5, 2013, the PSC ordered that "the Power Supply Agreement Amendment No. 1 and the rates to be charged by the Authority pursuant thereto are not disapproved by the Commission". The Power Supply Agreement Amendment No. 1, pursuant to the FERC regulations, does not require the PSC's approval.

On March 13, 2015, the Authority entered into an agreement for 25 MW of intermediate load capacity and energy through an 8-year contract with Southern Power Company ("Southern Power"), an affiliate of the Company. This agreement begins on January 1, 2018, and terminates on December 31, 2025. Under the agreement, Southern Power will deliver 25 MW of capacity and energy to the Southern Company Transmission system. The resource was noticed as an Alternate Resource per the Amended and Restated PSA with the Company and a new Network Resource per the Southern Company Open Access Transmission Tariff procedures.

On October 7, 2015, the Authority entered into an agreement for 100 MW of intermediate load capacity and energy through a five-year contract with the Company. This agreement begins on January 1, 2021, and terminates on December 31, 2025. Under the agreement, the Company will deliver up to 100 MW of capacity and energy to the Southern Company Transmission system. The resource was noticed as an Alternate Resource per the Amended and Restated PSA with the Company and a new Network Resource per the Southern Company Open Access Transmission Tariff procedures.

Pursuant to the provisions of Section 11-50-A, Code of Alabama 1975, as amended, the Authority was required to file the Agreement for the Purchase and Sale of Capacity and Energy (the "Purchase Agreement") with the PSC. On December 2, 2015, the PSC ordered that "the Purchase Agreement, and the rates to be charged by the Authority pursuant thereto, to be reasonable and consistent with the public interest and, therefore, that the Purchase Agreement, as well as the rates to be charged by the Authority pursuant thereto, should not be, and are not, disapproved by the Commission." The Purchase Agreement, pursuant to the FERC regulations, does not require the PSC's approval.

On August 22, 2018, the Authority executed a second amendment to the Amended and Restated PSA with the Company. This amendment modifies certain provisions of the Amended and Restated PSA to allow and account for solar energy purchased by the Authority. Under this agreement, the Authority can purchase solar energy from Qualified Facilities (QF) solar projects under the requirements of the Public Utility Regulatory Policies Act of 1978 ("PURPA") and FERC regulations, and up to 100MW of non-QF solar projects. None of the solar energy purchased pursuant to this amendment can offset the capacity that is purchased from the Company under the Amended and Restated PSA.

Pursuant to the provisions of Section 11-50-A, Code of Alabama 1975, as amended, the Authority was required to file the second amendment to the Amended and Restated PSA (the "Power Supply Agreement Amendment") with the PSC. On October 3, 2018, the PSC ordered that "the Power Supply Agreement Amendment and the rates to be charged by the Authority pursuant thereto are not disapproved by the Commission". The Power Supply Agreement Amendment, pursuant to the FERC regulations, does not require the PSC's approval.

On February 22, 2019, the Authority entered into an agreement for 50 MW of intermediate load capacity and energy through a 2-year contract with Morgan Stanley Capital Group ("MSCG"), a subsidiary of Morgan Stanley. This agreement begins on January 1, 2024, and terminates on December 31, 2025. Under the agreement, MSCG will deliver 50 MW of capacity and energy to the Southern Company Transmission system. The agreement was noticed as an Alternate Resource per the Amended and Restated PSA with the Company and a new Network Resource per the Southern Company Open Access Transmission Tariff procedures.

On April 22, 2019, the Authority entered into an agreement for 100 MW of solar energy through a 20-year contract with Blackbear Alabama Solar 1, LLC ("Blackbear"), a subsidiary of Lightsource Renewable Energy US, LLC. This agreement begins on January 1, 2022, and terminates twenty years after the commercial operation date. Under the agreement, Blackbear will deliver as available the energy output from a 100 MW solar project to the Southern Company Transmission system. The resource was noticed as a new Network Resource per the Southern Company Open Access Transmission Tariff procedures.

On October 25, 2019, Energy Southeast, a Cooperative District (the "District") was incorporated by the Authority in Montgomery, AL. The purpose of the District is to serve as a wholesale supplier of natural gas and electricity for the Authority and its members and other governmentally owned wholesale customers of natural gas. On December 12, 2019 the Authority elected officers, adopted bylaws, and appointed a board of directors for the District.

On February 12, 2020, the Authority entered into a Requirements Service Agreement ("RSA") with Southern Power. The RSA begins on January 1, 2026 and terminates on December 31, 2035. Under the RSA, Southern Power will deliver the capacity and energy sold to the Authority at the high voltage side of the transformers at the various generating units of Southern Power that provide capacity and energy under the agreement. Southern Power will provide 100% of the Authority's capacity and energy needs, based on a formulary approach accounting for actual usage, other than the capacity and energy met by the Authority's other resources ("Customer Resources") as outlined in the Agreement. The Customer Resources consist of the AMEA-Sylacauga plant, a 7x24 Block Purchase Agreement, the capacity and energy provided to the Authority's members by the Southeastern Power Administration in addition to any future solar or energy-only resources the Authority has the option to purchase. Southern Power will provide all of the Authority's load growth during the contract period.

On March 13, 2020, the Authority executed an amendment to the 100 MW solar agreement with Blackbear. This amendment modified among other things the commercial operation date and the security requirements required by Blackbear under the agreement. The new commercial operation date for the project should be no later than December 31, 2022.

On April 30, 2020, the Authority entered into an agreement for 200 MW of baseload capacity and energy through a 10-year contract with MSCG. This agreement begins on

January 1, 2026, and continues through December 31, 2035, unless and until terminated by MSCG providing a two-year notice. The supply term cannot be terminated prior to December 31, 2030. Under the agreement, MSCG will deliver 200 MW of capacity and energy to the Southern Company Transmission system. The agreement satisfies one of the Customer Resource requirements under the RSA with Southern Power.

5. FUNDS INVESTED

The Authority's cash and other funds invested as of September 30, 2020 and 2019, are summarized as follows:

2020	**Fair Value**	**Cost**
U.S. government Treasury bonds and agency certificates—held by trustee in the Authority's name (uninsured and unregistered)	$	$
Money market instruments—mutual funds composed of U.S. Treasury obligations	5,144,917	5,144,917
	5,144,917	5,144,917
Cash and cash equivalent accounts	35,542,892	35,542,892
U.S. government bonds and agency certificates	39,605,800	39,229,155
Accrued interest and other	41	41
Total funds invested	$ 80,293,650	$79,917,005
Consisting of:		
Special funds invested	$ 5,144,917	
Current assets—funds invested	75,148,733	
	$ 80,293,650	

2019	Fair Value	Cost
U.S. government Treasury bonds and agency		
certificates—held by trustee in the Authority's name		
(uninsured and unregistered)	$ 2,786,010	$ 2,730,720
Money market instruments—mutual funds composed of		
U.S. Treasury obligations	5,227,177	5,227,177
	8,013,187	7,957,896
Cash and cash equivalent accounts	50,773,839	50,773,839
U.S. government bonds and agency certificates	25,952,162	25,677,295
Accrued interest and other	58,725	58,725
Total funds invested	$ 84,797,913	$ 84,467,755
Consisting of:		
Special funds invested	$ 8,013,187	
Current assets—funds invested	76,784,726	
	$ 84,797,913	

Investments included in the funds invested categories are stated at fair value, plus any accrued interest.

Credit and Interest Rate Risk—The Authority's policy regarding credit risk on investments is governed by the Resolution, which authorizes the Authority to invest in (1) direct obligations of, or obligations, which the principal and interest are unconditionally guaranteed by the United States of America; (2) direct and general obligations of any state in the United States of America, or of any agency or local government unit thereof whose obligations are fully secured as to principal and interest by cash or obligations of the character described in (1) above; (3) obligations of or guaranteed by any agency or corporation of the United States of America; (4) new housing authority bonds or project notes issued by the public agencies and fully secured as to principal and interest by certain agreements with the United States of America; (5) obligations of any state, territory, or possession of the United States of America or of any political subdivision thereof whose securities are rated by a nationally recognized bond-rating agency in either of its two highest rating categories; (6) certificates of deposit issued by a bank, trust company, or similar institution (the Authority's deposits in any such institution cannot exceed 5% of the institution's capital stock, surplus, and undivided profits, unless fully insured by the FDIC or secured to the extent not insured by certain obligations acceptable under the Resolution); (7) obligations issued or guaranteed by any corporation, which are rated similarly to that described in (5) above; (8) repurchase agreements with a member of the Federal Reserve System, which are collateralized by the types of obligations described above; and (9) interest in a portfolio of money market instruments containing specified types of obligations.

All instruments held by the Authority are in compliance with the Resolution.

The Resolution states that funds will be reinvested to the fullest extent practicable in investment securities, which mature no later than at such time when funds are required for payments to be made from each account. The Resolution also states that all funds held by depositories must be held in accounts that are available for use at the time when needed.

6. NET COSTS TO BE REFUNDED TO PARTICIPATING MEMBERS

Power rates charged to Participating Members are designed to cover the Authority's "costs" as defined by the Resolution and the Sales Contracts. The Authority's rates are structured to systematically provide for debt service requirements, operating funds, and reserves specified by the Resolution. Recognition of "expenses" (defined according to GAAP), which are not included as "costs," is deferred to such period as it is intended that such "expenses" will be covered by rates. Recognition of the "revenues," which under the Resolution and the Sales Contracts are collected to cover "costs" that are not "expenses," is deferred to such period as it is intended that such "revenues" cover "expenses."

The Authority is required by the Resolution to review and, if necessary, revise its rate structure upon the occurrence of a material change in circumstances, but in any event, at least once every year. The Resolution also permits the Authority to implement rate stabilization practices whereby revenues collected currently may be deposited in a special account to provide for reductions in possible future rate increases that will be required in future years to cover the Authority's costs and other funds requirements mentioned above. Rates charged by the Authority are not subject to the regulatory control of the PSC or FERC.

Net costs to be refunded to Participating Members include the following:

	Year Ended September 30		From Inception to September 30	
	2020	**2019**	**2020**	**2019**
GAAP items not included in billings to participants:				
Amortization of prepaid purchase power contracts	$ -	$ -	$ 152,900,000	$ 152,900,000
Amortization of development costs	-	-	3,200,000	3,200,000
Amortization of bond discounts and issuance costs	45,933	54,000	11,666,577	11,620,644
Amortization of excess costs of bond refundings	147,114	118,326	15,926,885	15,779,771
Interest on revenue bonds	-	-	17,063,216	17,063,216
Expenses paid with bond proceeds	-	-	3,449,600	3,449,601
(Increase) decrease in fair value of funds invested	55,291	(62,143)		(55,291)
Deferred depreciation on plant	1,541,285	1,563,968	27,090,786	25,549,502
Other	-	-	2,695,345	2,695,345
	1,789,623	1,674,151	233,992,410	232,202,787
Bond resolution requirements included in billings to participants:				
Debt service	1,330,833	1,590,000	229,007,999	227,677,166
Increase in special funds deposits		1,000,000	43,958,594	43,958,594
Investment income not available for operating purposes	-	-	1,102,799	1,102,799
	1,330,833	2,590,000	274,069,392	272,738,559
	$ 458,790	$ (915,849)	$ (40,076,982)	$ (40,535,772)

7. LONG-TERM DEBT

Long-term debt as of September 30, 2020, consists of the following serial bonds:

Maturity September 1	2020 Bonds Effective Interest Rate	Amount
2021	1.826	1,050,000
2022	1.880	1,065,000
2023	1.930	1,090,000
2024	2.025	1,110,000
2025	2.055	1,130,000
2026	2.158	1,155,000
2027	2.288	1,180,000
2028	2.419	1,205,000
2029	2.539	1,235,000
2030	2.589	1,265,000
2031	2.669	1,300,000
2032	2.719	1,335,000
2033	2.769	1,370,000
2034	2.819	1,410,000
2035	2.919	1,450,000
2036	2.998	1,490,000
2037	3.068	1,535,000
2038	3.118	1,580,000
2039	3.168	1,630,000
2040	3.218	1,685,000
		26,270,000
Less current maturities		1,050,000
Less unamortized bond discount		-
		25,220,000

Interest on all of the bond issues is payable semiannually.

On February 18, 2020, the Authority closed on the 2020 Series A Bonds. This bond issue was made for the purpose of refunding and retiring the 2013 Series A Bonds. The 2020 Bonds were issued in the aggregate principal amount of $26,965,000 and have a final maturity date of September 1, 2040.

The Authority's bonds are secured by a pledge of all revenues of the Authority and all special funds established by the Resolution subject to certain terms and conditions set forth therein. At September 30, 2020, the Authority was in compliance with its debt covenants. The carrying value and fair values of the 2020 Bonds and the 2013 Bonds for

2020 and 2019, respectively, are summarized in the table below. Fair value of the bonds is estimated based on quoted market prices.

	September 30, 2020			September 30, 2019	
	Carrying			Carrying	
	Amount	Fair Value		Amount	Fair Value
Series 2013 Bonds	$	$		$28,750,000	$29,692,375
Series 2020 Bonds	$26,270,000	$27,574,451		$	$

8. RETIREMENT PLAN

General Information about the Pension Plan

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

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

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

Benefits provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

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

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

As of September 30, 2019, the Authority's membership in the Plan consisted of:

Retired Members or Beneficiaries Currently Receiving Benefits	4
Vested Inactive Members	1
Nonvested Inactive Members	
Active Members	14
Post-DROP Retired Members Still in Active Service	
Total	19

Contributions—Participation in the Plan is mandatory for all Authority employees. Employees are classified as either Tier I, those processed in the RSA before January 1, 2013, or Tier II, those processed on or after January 1, 2013. 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 years ended September 30, 2020 and 2019, the employee and the

Authority contribution rates as a percentage of covered employee payroll and pensionable pay respectively were as follows:

Contributor	September 30, 2020 Tier 1	September 30, 2020 Tier 2	September 30, 2019 Tier 1	September 30, 2019 Tier 2
Employee	5.00 %	6.00 %	5.00 %	6.00 %
The Authority	10.78	7.89	9.86	7.39

Net Pension Liability—The Authority's net pension liability was measured as of September 30, 2019, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2018, rolled forward to September 30, 2019, using standard roll-forward techniques as shown in the following table:

		Expected	Actual	
(a)	TPL as of September 30, 2018	$ 6,911,692	6,909,917	
(b)	Discount rate	7.70%	7.70%	
(c)	Entry age normal cost for the period			
	October 1, 2018–September 30, 2019	169,363	169,363	
(d)	Transfers Among Employers:	0	0	
(e)	Actual Benefit Payments and Refunds for the period			
	October 1, 2018–September 30, 2019	(251,558)	(251,558)	
(f)	TPL as of September 30, 2019			
	=[(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	$ 7,352,012	$ 7,350,101	
(g)	Difference between Expected and Actual:		(1,911)	
(h)	Less Liability Transferred for Immediate Recognition:			
(i)	Experience (Gain)/Loss = (g) - (h)		(1,911)	

Actuarial Assumptions— The total pension liability as of September 30, 2019 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2018. The key actuarial assumptions are summarized below:

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

* Net of pension plan investment expense.

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

The actuarial assumptions used in the actuarial valuation as of September 30, 2017, were based on the results of an investigation of the economic and demographic experience for the

ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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

	Target Allocation	**Long-Term Expected Rate of Return***
Fixed income	17.0 %	4.4 %
U.S. large stocks	32.0 %	8.0 %
U.S. mid stocks	9.0 %	10.0 %
U.S. small stocks	4.0 %	11.0 %
International developed market stocks	12.0 %	9.5 %
International emerging market stocks	3.0 %	11.0 %
Alternatives	10.0 %	10.1 %
Real estate	10.0 %	7.5 %
Cash	3.0 %	1.5 %
Total	100.0 %	

* Includes assumed rate of inflation of 2.50%.

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

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balance—September 30, 2018	$ 6,911,692	$ 4,535,961	$ 2,375,731
Changes for the year:			
Service cost	169,363	-	169,363
Interest	522,515	-	522,515
Changes of assumptions	-	-	-
Difference between expected and actual experience	(1,911)	-	(1,911)
Contributions—employer	-	165,183	(165,183)
Contributions—employee	-	95,416	(95,416)
Net investment income	-	116,591	(116,591)
Benefit payments, including refunds of employee contributions	(251,558)	(251,558)	-
Administrative expense	-	-	-
Transfers among employers	-	-	-
Net changes	438,409	125,632	312,777
Balance—September 30, 2019	$ 7,350,101	$ 4,661,593	$ 2,688,508

Sensitivity of the Net Pension Liability to Changes in the Discount Rate—The following table presents the Authority's net pension liability calculated using the discount rate of 7.70%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.70%) or one percentage point higher (8.7%) than the current rate:

	1% Decrease (6.70%)	**Current Discount Rate (7.70%)**	**1% Increase (8.70%)**
Plan's net pension liability	$ 3,373,704	$ 2,688,508	$ 2,106,316

Pension plan fiduciary net position—Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2019. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes detail by employer and in aggregate additional information needed to comply with GASB 68. The additional financial and actuarial information is available at http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/ .

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—Based on guidance in GASB Statement No. 71, the related annual retirement expense is shown as a deferred outflow of resources. The Authority's retirement expense for the year ended September 30, 2020, was $182,929.

9. RELATED-PARTY TRANSACTIONS

In addition to sales of electricity to Participating Members as discussed in Note 3, the Authority has entered into a Natural Gas Purchase Agreement with the Utilities Board of the City of Sylacauga ("Sylacauga"), one of the Participating Members. The purpose of this agreement is to provide the natural gas requirements for the AMEA-Sylacauga Plant. The Authority also purchases water and sewer services and internet services for the plant from Sylacauga. During the years ended September 30, 2020 and 2019, the Authority's costs to Sylacauga were $959,062 and $1,903,806, respectively, under the provisions of this agreement.

10. SUBSEQUENT EVENTS

The Authority has evaluated all events or transactions that occurred after September 30, 2020, through the date the accompanying financial statements were available to be issued, February 18, 2021. All subsequent events have been disclosed within previous notes.

11. COVID-19 RISK DISCLOSURE

Like all businesses, the Authority has been affected by the Covid-19 virus. The Authority has evaluated personnel safety and adjusted accordingly. The Authority has also worked with Members closely to assess their needs in this unprecedented time. Fortunately, the impact has been minimal to both the Authority and its Members. Management will continue to diligently monitor the effects moving forward.

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Required Supplementary Information
Schedule of Employer Contributions
Fiscal Years Ending September 30

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution*	$ 182,928	$ 166,441	$ 155,195	$ 153,314	$ 155,002	$ 167,373
Contributions in relation to the actuarially determined contribution*	182,928	166,441	155,195	153,314	155,002	167,373
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll**	$ 1,870,747	$ 1,859,350	$ 1,828,936	$ 1,791,041	$ 1,684,701	$ 1,664,962
Contributions as a percentage of covered-employee payroll	9.78%	8.95%	8.49%	8.56%	9.20%	10.05%

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

**Employer's covered payroll for FY2020 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2019 to September 30, 2020*:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	29.2 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 – 5.00%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Schedules of Required Supplementary Information
Schedule of Changes in the Net Pension Liability
Fiscal Years Ending September 30

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service Cost	$ 169,363	$ 164,473	$ 155,137	$ 142,876	$ 143,049	$ 150,269
Interest	522,515	492,616	469,269	388,788	390,427	369,856
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(1,911)	(5,391)	(70,550)	21,838	(325,444)	-
Changes of assumptions	-	30,485	-	895,586	-	-
Benefit payments, including refunds of employee contributions	(251,558)	(253,654)	(251,558)	(256,149)	(200,883)	(325,092)
Transfers among employers	-	-	-	-	-	-
Net change in total pension liability	438,409	428,529	302,298	1,192,939	7,149	195,033
Total pension liability - beginning	6,911,692	6,483,163	6,180,865	4,987,926	4,980,777	4,785,744
Total pension liability - ending (a)	$ 7,350,101	$ 6,911,692	$ 6,483,163	$ 6,180,865	$ 4,987,926	$ 4,980,777
Plan fiduciary net position						
Contributions - employer	$ 165,183	$ 150,833	$ 147,035	$ 149,174	$ 162,684	$ 166,646
Contributions - member	95,416	90,670	88,142	80,614	79,535	81,026
Net investment income	116,591	384,746	473,501	343,780	39,490	358,538
Benefit payments, including refunds of employee contributions	(251,558)	(253,654)	(251,558)	(256,149)	(200,883)	(325,092)
Transfers among employers	-	-	-	-	-	-
Net change in plan fiduciary net position	125,632	372,595	457,120	317,419	80,826	281,118
Plan net position - beginning	4,535,961	4,163,366	3,706,246	3,388,827	3,308,001	3,026,883
Plan net position - ending (b)	$ 4,661,593	$ 4,535,961	$ 4,163,366	$ 3,706,246	$ 3,388,827	$ 3,308,001
Net pension liability (asset) - ending (a) - (b)	$ 2,688,508	$ 2,375,731	$ 2,319,797	$ 2,474,619	$ 1,599,099	$ 1,672,776
Plan fiduciary net position as a percentage of the total pension liability	63.42%	65.63%	64.22%	59.96%	67.94%	66.42%
Covered payroll*	$ 1,859,350	$ 1,828,936	$ 1,791,041	$ 1,684,701	$ 1,664,962	$ 1,705,967
Net pension liability (asset) as a percentage of covered payroll	144.59%	129.90%	129.52%	146.89%	96.04%	98.05%

*Employer's covered payroll during the measurement period is the total covered payroll. For FY2020 the measurement period is October 1, 2018 - September 30, 2019.

GASB issued a statement "Pension Issues" in March, 2016 to redifine covered payroll beginning with FY 2017.

ADDITIONAL INFORMATION FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

ALABAMA MUNICIPAL ELECTRIC AUTHORITY

STATEMENT OF CHANGES IN ASSETS OF FUNDS INVESTED
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Funds Invested September 30, 2019	Power Billing Receipts	Income from Other Electricity Sales	Other Income	Investment Income	Disbursements	Transfers	Funds Invested September 30, 2020
DEBT SERVICE FUND:								
Debt service account	$ 227,177	$	$	$	$ 3,030	$ (2,207,673)	$ 2,122,383	$ 144,917
Debt service reserve account	2,786,010				17,455	(2,730,720)	(72,745)	$ (0)
	3,013,187				20,485	(4,938,393)	2,049,638	$ 144,917
GENERAL RESERVE FUND	-							$
RESERVE AND CONTINGENCY FUND	5,000,000				37,050		(37,050)	$ 5,000,000
REVENUE FUND:								
Revenue account	58,725	200,264,150	159,333	1,153,128	96,968		(201,732,263)	$ 41
Rate stabilization account	44,000,000							$ 44,000,000
	44,058,725	200,264,150	159,333	1,153,128	96,968		(201,732,263)	$ 44,000,041
OPERATION AND MAINTENANCE FUND:								
Operation and maintenance account	-					(201,732,115)	201,732,115	$
Working capital account	32,726,001				435,130		(2,012,440)	$ 31,148,691
	32,726,001				435,130	(201,732,115)	199,719,675	$ 31,148,691
	$ 84,797,913	$ 200,264,150	$ 159,333	$ 1,153,128	$ 589,634	$ (206,670,507)	$ (0)	$ 80,293,650

ALABAMA MUNICIPAL ELECTRIC AUTHORITY

STATEMENT OF CHANGES IN ASSETS OF FUNDS INVESTED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Funds Invested September 30, 2018	Power Billing Receipts	Income from Other Electricity Sales	Other Income	Investment Income	Disbursements	Transfers	Funds Invested September 30, 2019
DEBT SERVICE FUND:								
Debt service account	$ 227,460	$	$	$	$ 22,841	$ (2,729,519)	$ 2,706,395	$ 227,177
Debt service reserve account	2,723,868				81,815		(19,672)	$ 2,786,010
	2,951,328				104,656	(2,729,519)	2,686,722	$ 3,013,187
GENERAL RESERVE FUND	-							$
RESERVE AND CONTINGENCY FUND	3,395,000				87,006		1,517,994	$ 5,000,000
REVENUE FUND:								
Revenue account	15,753	216,244,695	188,400	1,408,877	460,801		(218,259,802)	$ 58,725
Rate stabilization account	43,000,000						1,000,000	$ 44,000,000
	43,015,753	216,244,695	188,400	1,408,877	460,801		(217,259,802)	$ 44,058,725
OPERATION AND MAINTENANCE FUND:								
Operation and maintenance account	-					(211,924,493)	211,924,493	$
Working capital account	30,764,358				831,051		1,130,592	$ 32,726,001
	30,764,358				831,051	(211,924,493)	213,055,085	$ 32,726,001
	$ 80,126,439	$ 216,244,695	$ 188,400	$ 1,408,877	$ 1,483,515	$ (214,654,012)	$ 0	$ 84,797,913

ALABAMA MUNICIPAL ELECTRIC AUTHORITY

SCHEDULES OF REVENUES AND EXPENSES PER BOND RESOLUTION
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
REVENUES:		
Sales of electricity to participating members	$ 194,313,756	$ 207,325,076
Sales of electricity—other	148,871	144,977
Investment revenues available for operations	1,067,726	2,015,810
Other income	18,088	135,871
Total revenues	195,548,441	209,621,734
EXPENSES:		
Partial requirements services:		
Purchased power	163,856,718	175,976,287
Transmission and distribution	18,350,430	18,279,866
Other operating and maintenance expenses	1,450,252	1,469,625
Administrative and general expenses	7,065,750	7,829,080
Deposit to rate stabilization		1,000,000
Debt service	2,124,624	2,729,235
Total expenses	192,847,774	207,284,094
EXCESS OF REVENUES OVER EXPENSES	$ 2,700,668	$ 2,337,640