Alabama Municipal Electric Authority

Financial Statements as of and for the Years Ended September 30, 2021 and 2020,
Additional Information for the Years Ended September 30, 2021 and 2020,
and Independent Auditors' Report

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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 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

Condensed statements of net position as of September 30, 2021 and 2020, are as follows:

	2021	2020
Long-term assets	$ 28,675,443	$ 30,276,490
Current assets	103,317,592	94,683,389
Deferred outflows of resources	2,262,768	2,450,279
Total assets and deferred outflows of resources	134,255,803	127,410,158
Long-term liabilities	27,151,808	27,908,508
Current liabilities	39,502,484	30,301,130
Deferred inflows of resources	36,765,611	40,076,982
Total liabilities and deferred inflows of resources	103,419,903	98,286,620
Net Position	$ 30,835,900	$ 29,123,538

Total Assets and Deferred Outflows of Resources

Total assets and deferred outflows of resources increased by $6,845,645 from FY 2020 to FY 2021. Components of this change are as follows:

- Long-term assets decreased by $1,601,047. Long-term asset changes are as follows:
    - property and equipment, net, decreased by $1,980,116, which was largely due to normal depreciation of assets;
    - other long-term assets decreased by $356,968, of which the majority of the change came from a $350,000 decrease in long-term receivables of AMEA’s Capital Fund Program, which resulted from loans being either paid off early or being moved to short -term receivables. No new Capital Fund loans were made in FY 2021;
    - special funds invested decreased minimally by only $348;
    - regulatory assets increased by $736,385 due to a $308,300 change in pension valuation and $704,000 in additional delivery point development costs. These increases were offset by standard amortizations.
- Current assets increased by $8,634,203, of which notable items are as follows:
    - the operation and maintenance fund increased by $10,130,056;

  - receivables from participating members decreased by $916,336 as Members on the levelization rider had higher balances to offset power billing receivables. Also, there was a difference in the amount of August power bills outstanding at year end;
  - short-term Capital Fund Program receivable decreased by $431,750, as several loan payments were made during the previous twelve months;
  - other receivables, prepaid expenses, and materials and supplies decreased by a total of $147,833.
- Deferred outflows of resources decreased by $187,511. This change was due to the standard amortization of the loss on refunding debt, and the change in 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 increased by $5,133,283 and was made up of the following changes:

- Total long-term liabilities decreased by $756,700 due to the 2020 refunding of bonds and portion of bonds nearing maturity and offset by an increase in pension liability;
- Current liabilities increased by $9,201,354. This increase is due to the following:
  - funds payable to members under the Smart Grid Initiative increased by $9,079,804 due to total distributions equaling $2,920,196 and offset by an additional $12,000,000 allocated under the Smart Grid Initiative II;
  - amounts payable under power supply contracts increased by $69,005;
  - other current liabilities increased by $39,143, and current bond maturities increased by $15,000;
- Deferred inflows of resources decreased by $3,311,371, due largely to a $2,600,000 year-end transfer from working capital, which is utilized in amounts recovered in future periods. The remaining balance is comprised of other standard deferrals.

Net Position

Net position increased by $1,712,362.

A summary of operations for the years ended September 30, 2021 and 2020, is as follows:

	2021	2020
Gross operating revenues	$ 189,313,385	$ 194,462,627
Changes in net costs to be refunded to Participating Members	3,311,371	458,790
Operating revenues	192,624,756	194,921,417
Operating expenses:		
Purchased power, transmission, and distribution expenses	178,807,696	182,207,148
Plant operating expenses	2,770,830	1,839,567
Administrative, general, and other operating expenses	8,135,706	8,184,298
Total operating expenses	189,714,232	192,231,013
Net operating income	2,910,524	2,690,404
Other income (expense) - net	(886,568)	10,264
Excess revenues over expenses	2,023,956	2,700,668
Net position - beginning of year	29,123,538	31,422,870
Distribution to Members from Reserves	(311,594)	(5,000,000)
Net position - end of year	$ 30,835,900	$ 29,123,538

Gross Operating Revenues

Gross operating revenues decreased by $5,149,242.

- Capacity sales decreased by $2,524,578.
- Energy sales increased by $6,290,970.
- Smart Grid Initiatives' contribution differentials significantly added to the change as well. $12,000,000 and $3,000,000 of revenues were used to fund this initiative in 2021 and 2020, respectively, creating a $9,000,000 decrease.
- Sales of electricity – other increased by $84,366.

Changes in Net Costs to be Refunded to Participating Members

The difference in this account was $2,852,581, mostly due to a $2,600,000 change in the annual transfer to/from rate stabilization and working capital from the previous year (see Note 6).

Operating Expenses

Total operating expenses decreased by $2,516,781.

- Purchased power expenses decreased by $3,399,452, made up of the following:
    - a decrease in capacity costs of $8,823,447.
    - an increase in energy costs of $4,636,332.
    - transmission and distribution costs increased by $787,664.
- Plant operating expenses increased by $931,263.
- Other expenses in this category decreased by $48,592.

Other Income (Expense)—Net

Other income (expense)—net decreased by $896,832. This amount is made up of the following details:

- Interest income decreased by $532,037 largely due to continuing low interest rates.
- Investment gain (loss) changed by $476,418 due to the lowered market valuations of investments at year end.
- Interest expense was lower than the previous year by $106,383. This was due to the lower interest rates associated with the 2020 Series A bonds in comparison to the 2013 Series A bonds, which were still being expensed in FY 2020.
- Amortization of bond issuance costs and excess costs of bond refunding changed minimally.

Distribution to Members from Reserves

- In August 2019 the Authority's Board of Directors designated $1,000,000 of net assets to be used for an electric vehicle initiative. This money is to be granted to Members upon request for use in purchasing electric vehicles and infrastructure. In FY 2021, the Authority paid of $311,594 to Members for this initiative.
- 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.

Liquidity and Capital Resources

- On September 30, 2021, the Authority had cash and cash equivalents of $46,008,173, an increase of $10,465,281 from the prior year as detailed by the following:
  - cash receipts for operating activities were $12,984,163 more than cash paid for operating expenses.
  - $2,975,573 was paid out for capital and related financing activities.
  - within investing activities, other income and proceeds was $456,691 more than other expenses and payments.
- 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, 2021, is $24,155,000. 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).

ALDRIDGE BORDEN COMPANY
est. 1918

Mayer W. Aldridge, CPA (1883–1970)
John R. Borden, CPA (1916–1994)

SHAREHOLDERS
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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, 2021 and 2020, 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 considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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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, 2021 and 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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 40 through 43, 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 17, 2022

Alabama Municipal Electric Authority
Statements of Net Position
As of September 30, 2021 and 2020

Assets	2021	2020
Property and equipment - net	$ 16,651,331	$ 18,631,447
Other long-term assets:		
Investments	350,000	350,000
Capital fund program receivable	400,000	750,000
Prepaid expenses	78,780	85,748
Total other long-term assets	828,780	1,185,748
Special funds invested (restricted):		
Debt service fund	144,569	144,917
Reserve and contingency fund	5,000,000	5,000,000
Total special funds invested	5,144,569	5,144,917
Current assets:		
Funds invested:		
Revenue fund	44,000,107	44,000,041
Operation and maintenance fund	41,278,748	31,148,692
Total funds invested	85,278,855	75,148,733
Receivables from participating members	17,302,149	18,218,485
Other receivables	138,718	258,540
Materials and supplies	332,944	333,045
Capital fund program receivable	50,000	481,750
Prepaid expenses	214,926	242,836
Total current assets	103,317,592	94,683,389
Regulatory assets - net	6,050,763	5,314,378
Deferred outflows of resources:		
Loss on refunding debt	2,083,111	2,267,351
Pension	179,657	182,928
Total deferred outflows of resources	2,262,768	2,450,279
Total assets	$ 134,255,803	$ 127,410,158

Alabama Municipal Electric Authority
Statements of Net Position
As of September 30, 2021 and 2020

Liabilities, Deferred Inflows, and Net Position	2021	2020
Long-term liabilities:		
Revenue bonds	24,155,000	$ 25,220,000
Pension liability	2,996,808	2,688,508
Total long-term liabilities	27,151,808	27,908,508
Payable from restricted assets - Special funds - accrued interest on revenue bonds	55,819	57,417
Current Liabilities:		
Current maturities of revenue bonds	1,065,000	1,050,000
Amounts payable under power supply contracts	15,861,414	15,792,409
Members - Smart Grid Initiative	21,796,846	12,717,042
Other current liabilities	723,405	684,262
Total current liabilities	39,446,665	30,243,713
Total liabilities	66,654,292	58,209,638
Deferred inflows of resources - Net costs to be refunded to participating members	36,765,611	40,076,982
Net Position:		
Invested in capital assets - net of related debt	(8,568,669)	(7,638,553)
Restricted for:		
Debt service	88,750	87,500
Extraordinary plant maintenance	5,000,000	5,000,000
Unrestricted - Board Designated	688,406	1,000,000
Unrestricted	33,627,413	30,674,591
Total net position	30,835,900	29,123,538
Total liabilities, deferred inflows, and net position	$ 134,255,803	$ 127,410,158

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

Alabama Municipal Electric Authority
Statement of Revenues and Expenses and Changes in Net Position
As of September 30, 2021 and 2020

	2021	2020
Operating revenues:		
Sales of electricity to participating members	$ 201,080,148	$ 197,313,756
Smart grid initiative allocation	(12,000,000)	(3,000,000)
Sales of electricity - other	233,237	148,871
Gross operating revenues	189,313,385	194,462,627
Changes in net costs to be refunded to participating members	3,311,371	458,790
Operating revenues	192,624,756	194,921,417
Operating expenses:		
Partial requirements services:		
Purchased power	159,669,602	163,856,718
Transmission and distribution	19,138,094	18,350,430
Plant operating expenses	2,770,830	1,839,567
Other operating and maintenance expenses	628,704	660,441
Administrative and general expenses	5,124,919	5,192,762
Amortization and depreciation	2,382,083	2,331,095
Total operating expenses	189,714,232	192,231,013
Net operating income	2,910,524	2,690,404
Other income (expense):		
Interest expense	(687,408)	(793,791)
Interest income	324,710	856,747
Investment gain (loss) - net	(320,730)	155,688
Other income	26,324	18,088
Amortization of bond issuance costs and excess costs of bond refunding	(229,464)	(226,468)
Total other income (expense) - net	(886,568)	10,264
Excess of revenues over expenses	2,023,956	2,700,668
Net position:		
Balance - beginning of year	29,123,538	31,422,870
Distribution to Members from reserves	(311,594)	(5,000,000)
Balance - end of year	$ 30,835,900	$ 29,123,538

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

Alabama Municipal Electric Authority
Statements of Cash Flows
As of September 30, 2021 and 2020

	2021	2020
Operating activities:		
Cash received from sales of electricity	$ 203,279,836	$ 205,423,483
Cash paid under power supply contracts	(178,726,421)	(184,744,445)
Cash paid to other suppliers and employees	(12,260,156)	(15,811,145)
Other cash receipts	690,904	153,667
Net cash provided by operating activities	12,984,163	5,021,560
Capital and related financing activities:		
Payment for acquisition of property and equipment	(224,393)	(649,891)
Principal paid on revenue bond maturities	(1,050,000)	(29,445,000)
Distributions to members		(5,000,000)
Interest paid on revenue bonds	(689,005)	(376,001)
Proceeds from sale of property	1,250	-
Proceeds from issuing or refunding bonds	-	26,965,000
Other financing costs	(1,013,425)	(2,090,717)
Net cash used in capital and related financing activities	(2,975,573)	(10,596,609)
Investing activities:		
Payments for purchases of funds invested	(1,532,379)	(15,945,345)
Proceeds from sale of funds invested	1,419,285	5,137,956
Interest income received	569,785	1,151,491
Total other income (expense) - net	456,691	(9,655,898)
Net increase in cash and cash equivalents	10,465,281	(15,230,947)
Cash and cash equivalents - beginning of year	35,542,892	50,773,839
Cash and cash equivalents - end of year	$ 46,008,173	$ 35,542,892
Displayed as:		
Revenue fund	44,000,107	44,000,041
Operation and maintenance fund	41,278,748	31,148,692
Less: investments and accrued interest	(39,270,682)	(39,605,841)
Cash and cash equivalents - end of year	$ 46,008,173	$ 35,542,892

Alabama Municipal Electric Authority
Statements of Cash Flows
As of September 30, 2021 and 2020

		2021		2020
Reconciliation of net operating income to net cash provided by operating activities:				
Net operating income	$	2,910,524	$	2,690,403
Adjustments to reconcile net operating income to net cash provided by operating activities:				
Changes in net costs to be refunded to participating members		(3,311,371)		(458,790)
Amortization and depreciation		2,382,083		2,331,095
Other cash receipts		23,803		12,283
Changes in assets and liabilities				
Receivables		1,699,434		5,720,724
Prepaid expenses		27,910		(93,269)
Materials and supplies		102		5,279
Deferred outflow of resources - pension		3,271		(16,487)
Amounts payable under power supply contracts		69,005		(2,465,393)
Amounts payable under Smart Grid Initiative		9,079,804		(2,426,023)
Other liabilities		99,598		(278,262)
Total adjustments		10,073,639		2,331,157
Net cash provided by operating activities	$	12,984,163	$	5,021,560

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

Notes to Financial Statements

as of and for the years ended September 30, 2021 and 2020

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 became effective for the Authority in FY 2021 and did not have a material impact 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*. A portion of this statement became effective for the Authority in FY2021, and a portion must be implemented by FY2022. Management has reviewed this entire statement and determined that there is no material impact on the Authority's financial statements.

In October 2021, the GASB issued GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This statement has no material impact on the Authority's financial statements and will be applied immediately.

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 shown in the Authority's statements of net position as of September 30, 2021 and 2020, reflect the following:

Note		2021		2020
(a) Power supply agreements implementation costs	$	400,818	$	504,924
(b) Delivery point development costs		2,220,601		1,650,155
(c) Unamortized bond issuance costs		432,536		470,791
(d) Pension		2,996,808		2,688,508
Total regulatory assets	$	6,050,763	$	5,314,378

(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 $885,079 and $780,973 for 2021 and 2020, respectively.

(b) Delivery point development costs were incurred by the Authority in the construction of transmission substations required 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 $1,294,135 and $1,160,275 for 2021 and 2020, respectively.

(c) Bond issuance costs were incurred by the Authority for the Series 2020A Bonds. 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 $59,132 and $20,877 for 2021 and 2020, 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, 2021 and 2020, as follows:

	2021	2020
Revenue fund - rate stabilization	$ 44,000,000	$ 35,542,892
Operation and maintenance fund	2,008,173	-
Total cash and cash equivalents	$ 46,008,173	$ 35,542,892

As of September 30, 2021, the Authority had deposits in public funds accounts at Regions Bank and River Bank and Trust totaling $45,367,578. Of these funds, $447,366 was insured by the Federal Deposit Insurance Corporation (FDIC), and $44,920,212 was covered by the State of Alabama Funds Enhancement Act (SAFE) program for public funds. As of September 30, 2020, the Authority's deposits were held in a public funds account at Regions Bank and totaled $35,290,563. $250,000 was insured by FDIC, and $35,040,563 was insured by the SAFE program. The remaining cash and cash equivalents, $640,595 and $252,329 in 2021 and 2020, respectively, was held in a trust account's government portfolio with Regions Bank.

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, 2021 and 2020, the fair value of investments in the revenue fund totaled $39,270,575 and $39,605,800, 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, 2021, 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 $2,144,117 and $2,118,782 for the years ended September 30, 2021 and 2020, respectively. Property and equipment at September 30, 2021 and 2020, consisted of the following items:

	2021	2020
Electric plant	$ 42,923,830	$ 42,892,672
Building	2,341,186	2,281,051
Land	1,455,009	1,455,009
AMEA solar parks	306,500	306,500
Member solar parks	707,290	707,290
Equipment	816,857	780,424
Transportation equipment	194,996	180,524
SCADA system	335,261	335,261
Construction work in progress	45,615	45,615
Total property and equipment	$ 49,126,544	$ 48,984,346
Accumulated depreciation	32,475,213	30,352,899
Property and equipment - net	$ 16,651,331	$ 18,631,447

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 electronic 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. As of September 30, 2021, $311,594 has been requested and paid out to Participating Members.

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 10-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. The PSA began 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), and to deliver certain non-firm energy transactions. In addition, these agreements allow the Authority to deliver the output of Alternate Resources noticed per the PSA with the Company (see further discussion below). Both the Network Integration Transmission Service and the Network Operating Agreement 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 5-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.

On October 7, 2021, the Authority executed a second amendment to the 100 MW solar agreement with Blackbear. This amendment modified among other things the date with which Blackbear is required to complete their project financing. The amendment also added a provision giving the Authority an option to assign title to the energy under the agreement for purposes of an energy prepayment.

5. Funds Invested

The Authority's cash and other funds invested as of September 30, 2021 and 2020, are summarized as follows:

2021	Fair Value	Cost
Money market instruments - mutual funds composed of U.S. Treasury obligations	$ 5,144,569	$ 5,144,569
Cash and cash equivalent accounts	46,008,173	46,008,173
U.S. government bonds and agency certificates	39,270,575	39,244,848
Accrued interest and other	107	107
Total funds invested	$ 90,423,424	$ 90,397,697
Consisting of:		
Special funds invested	$ 5,144,569	
Current assets - funds invested	85,278,855	
Total funds invested	$ 90,423,424	

2020	Fair Value	Cost
Money market instruments - mutual funds composed of U.S. Treasury obligations	$ 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	
Total funds invested	$ 80,293,650	

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	
	2021	2020	2021	2020
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	45,223	45,933	11,711,800	11,666,577
Amortization of excess costs of bond refundings	184,241	147,114	16,111,126	15,926,885
Interest on revenue bonds	-	-	17,063,216	17,063,216
Expenses paid with bond proceeds	-	-	3,449,600	3,449,600
(Increase) decrease in fair value of funds invested	-	55,291	-	-
Deferred depreciation on plant	1,533,157	1,541,285	28,623,943	27,090,786
Other	-	-	2,695,345	2,695,345
	1,762,621	1,789,623	235,755,031	233,992,410
Bond resolution requirements included in billings to participants:				
Debt service	1,051,250	1,330,833	230,059,249	229,007,999
Increase in special funds deposits	(2,600,000)	-	41,358,594	43,958,594
Investment income not available for operating purposes	-	-	1,102,799	1,102,799
	(1,548,750)	1,330,833	272,520,642	274,069,392
	$ 3,311,371	$ 458,790	$ (36,765,611)	$ (40,076,982)

7. Long-Term Debt

Long-term debt as of September 30, 2021, consists of the following serial bonds:

Maturity - September 1	2020 Bonds Effective Interest Rate	Amount
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
		25,220,000
Less current maturities		(1,065,000)
Total revenue bonds long-term debt		24,155,000

Interest on 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, 2021, the Authority was in compliance with its debt covenants. The carrying value and fair values of the 2020 Bonds for 2021 and 2020, respectively, are summarized in the table below. Fair value of the bonds is estimated based on quoted market prices.

	September 30, 2021		September 30, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Series 2020 Bonds	$ 25,220,000	$ 26,010,138	$ 26,270,000	$ 27,574,451

8. Retirement Plan

Summary of Significant Accounting Policies

Pensions

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

General Information about the Pension Plan

Plan Description

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

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

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

Benefits Provided

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

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

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

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

As of September 30, 2020, the Authority's membership in the Plan consisted of:

	Number
Retired Members Or Their Beneficiaries Currently Receiving Benefits	3
Vested Inactive Members	1
Nonvested Inactive Members	0
Active Members	13
Post-Drop Retired Members Still in Active Service	0
Total	17

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. Effective October 1, 2020, The Authority's Board of Directors opted into Act 2019-132, which changed the contribution rate for all Authority employees. 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, 2021 and 2020, the employee and the Authority contribution rates as a percentage of covered employee payroll and pensionable pay respectively were as follows:

	September 30, 2021		September 30, 2020	
Contributor	Tier 1	Tier 2	Tier 1	Tier 2
Employee	7.50%	7.50%	5.00%	6.00%
The Authority	9.81	10.93	10.78	7.89

Net Pension Liability

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

	Expected	Actual Before Act 2019-132	Actual After Act 2019-132
(a) TPL as of September 30, 2019	$ 7,350,101	$ 7,458,183	$ 7,512,932
(b) Discount rate	7.70%	7.70%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2019 - September 30, 2020	101,462	101,462	112,929
(d) Transfers Among Employers:	-	-	-
(e) Actual Benefit Payments and Refunds for the period October 1, 2019 - September 30, 2020	(267,892)	(267,892)	(267,892)
(f) TPL as of September 30, 2020 =[(a)x(1+(b))]+(c)+(d)+[(e)x(1+0.5*(b))]	$ 7,739,315	$ 7,855,719	$ 7,926,151
(g) Difference between Expected and Actual:		$ 116,404	
(h) Less Liability Transferred for Immediate Recognition:		-	
(i) Difference between Expected and Actual - Experience (Gain)/Loss		$ 116,404	
(j) Difference between Actual TPL Before and After Act 2019-132 - Benefit Change (Gain)/Loss			$ 70,432

Actuarial Assumptions

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

Inflation	2.75%
Projected Salary Increases	3.25% - 5.00%
Investment Rate of Return*	7.70%

*Net of pension plan investment expense.

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

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	17.0%	4.4%
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%	10.1%
Real Estate	10.0%	7.5%
Cash Equivalents	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 pan 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.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances at September 30, 2019	$ 7,350,101	$ 4,661,593	$ 2,688,508
Changes for the year:			
Service Cost	101,462		101,462
Interest	555,644		555,644
Changes of benefit terms	70,432		70,432
Changes of assumptions	-		-
Difference between expected and actual experience	116,404		116,404
Contributions - employer		176,551	(176,551)
Contributions - employee		92,675	(92,675)
Net investment income		266,416	(266,416)
Benefit payments, including refunds of employee contributions	(267,892)	(267,892)	-
Administrative expense		-	-
Transfers Among Employers	-	-	-
Net Changes	576,050	267,750	308,300
Balances at September 30, 2020	$ 7,926,151	$ 4,929,343	$ 2,996,808

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

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

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Plans Net Pension Liability (Asset)	$ 3,715,400	$ 2,996,808	$ 2,384,447

Pension Plan Fiduciary Net Position

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

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

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, 2021, was $179,657.

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, 2021 and 2020, the Authority's costs to Sylacauga were $2,013,713 and $959,062, respectively, under the provisions of this agreement.

10. Subsequent Events

The Authority has evaluated all events or transactions that occurred after September 30, 2021, through the date the accompanying financial statements were available to be issued, February 17, 2022. 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 monitor the effects moving forward.

Required Supplementary Information

Schedules of Required Supplementary Information
Schedule of Changes in the Net Pension Liability
Last 10 Fiscal Years Ending September 30

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total pension liability										
Service Cost	$ 101,462	$ 169,363	$ 164,473	$ 155,137	$ 142,876	$ 143,049	$ 150,269			
Interest	555,644	522,515	492,616	469,269	388,788	390,427	369,856			
Changes of benefit terms	70,432	-	-	-	-	-	-			
Differences between expected and actual experience	116,404	(1,911)	(5,391)	(70,550)	21,838	(325,444)	-			
Changes of assumptions	-	-	30,485	-	895,586	-	-			
Benefit payments, including refunds of employee contributions	(267,892)	(251,558)	(253,654)	(251,558)	(256,149)	(200,883)	(325,092)			
Transfers among employers	-	-	-	-	-	-	-			
Net change in total pension liability	576,050	438,409	428,529	302,298	1,192,939	7,149	195,033			
Total pension liability - beginning	7,350,101	6,911,692	6,483,163	6,180,865	4,987,926	4,980,777	4,785,744			
Total pension liability - ending (a)	$ 7,926,151	$ 7,350,101	$ 6,911,692	$ 6,483,163	$ 6,180,865	$ 4,987,926	$ 4,980,777			
Plan fiduciary net position										
Contributions - employer	$ 176,551	$ 165,183	$ 150,833	$ 147,035	$ 149,174	$ 162,684	$ 166,646			
Contributions - member	92,675	95,416	90,670	88,142	80,614	79,535	81,026			
Net investment income	266,416	116,591	384,746	473,501	343,780	39,490	358,538			
Benefit payments, including refunds of employee contributions	(267,892)	(251,558)	(253,654)	(251,558)	(256,149)	(200,883)	(325,092)			
Transfers among employers	-	-	-	-	-	-	-			
Administrative expense	-	-	-	-	-	-	-			
Net change in plan fiduciary net position	267,750	125,632	372,595	457,120	317,419	80,826	281,118			
Plan net position - beginning	4,661,593	4,535,961	4,163,366	3,706,246	3,388,827	3,308,001	3,026,883			
Plan net position - ending (b)	4,929,343	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)	2,996,808	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	62.19%	63.42%	65.63%	64.22%	59.96%	67.94%	66.42%			
Covered payroll*	$ 1,870,747	$ 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	160.19%	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 FY 2021 the measurement period is October 1, 2019 - September 30, 2020.

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

Schedules of Required Supplementary Information
Schedule of Employer Contributions
Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution*	$ 179,657	$ 182,928	$ 166,441	$ 155,195	$ 153,314	$ 155,002	$ 167,373			
Contributions in relation to the actuarially determined contribution*	179,657	182,928	166,441	155,195	153,314	155,002	167,373			
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -			
Covered payroll**	$ 1,899,609	$ 1,870,747	$ 1,859,350	$ 1,828,936	$ 1,791,041	$ 1,684,701	$ 1,664,962			
Contributions as a percentage of covered payroll	9.46%	9.78%	8.95%	8.49%	8.56%	9.20%	10.05%			

Notes to Schedule

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

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

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	28.8 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 – 5.00%, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

Additional Information for the Years Ended September 30, 2021 and 2020

Alabama Municipal Electric Authority
Statements of Changes in Assets of Funds Invested
For the Year Ended September 30, 2021

	Funds Invested 09/30/2020	Power Billing Receipts	Income - Other Electricity Sales	Other Income	Investment Income	Disbursements	Transfers	Funds Invested 09/30/2021
Debt Service Fund:								
Debt service account	$ 144,917	$ -	$ -	$ -	$ 134	$ (1,739,005)	$ 1,738,524	$ 144,569
Debt service reserve account	-	-	-	-	-	-	-	-
	144,917	-	-	-	134	(1,739,005)	1,738,524	144,569
General Reserve Fund	-	-	-	-	-	-	-	-
Reserve and Contingency Fund	5,000,000	-	-	-	876	-	(876)	5,000,000
Revenue Fund:								
Revenue account	41	203,048,869	230,967	1,237,203	(320,664)	-	(204,196,309)	107
Rate stabilization account	44,000,000	-	-	-	-	-	-	44,000,000
	44,000,041	203,048,869	230,967	1,237,203	(320,664)	-	(204,196,309)	44,000,107
Operation and Maintenance Fund:								
Operation and maintenance account	-	-	-	-	-	(192,354,706)	192,354,706	-
Working capital account	31,148,692	-	-	-	26,101	-	10,103,955	41,278,748
	31,148,692	-	-	-	26,101	(192,354,706)	202,458,661	41,278,748
	80,293,650	203,048,869	230,967	1,237,203	(293,553)	(194,093,712)	-	90,423,424

Alabama Municipal Electric Authority
Statements of Changes in Assets of Funds Invested
For the Year Ended September 30, 2020

	Funds Invested 09/30/2019	Power Billing Receipts	Income - Other Electricity Sales	Other Income	Investment Income	Disbursements	Transfers	Funds Invested 09/30/2020
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)	-
	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)	-	80,293,650

Alabama Municipal Electric Authority
Statement of Revenues and Expenses and Changes in Net Position
As of September 30, 2021 and 2020

	2021	2020
Revenues:		
Sales of electricity to participating members	$ 189,080,148	$ 194,313,756
Sales of electricity - others	233,237	148,871
Investment revenues available for operations	3,980	1,067,726
Withdrawal from working capital	2,600,000	-
Other income	26,324	18,088
Total revenues	191,943,689	195,548,441
Expenses:		
Partial requirements services:		
Purchased power	159,669,602	163,856,718
Transmission and distribution	19,138,094	18,350,430
Other operating and maintenance expenses		1,450,252
Administrative and general expenses	7,895,749	7,065,750
Deposit to rate stabilization	1,477,630	-
Debt service	1,738,658	2,124,624
Total expenses	189,919,733	192,847,774
Excess of revenues over expenses	$ 2,023,956	$ 2,700,668