



2021 Annual Report

Mission Statement

AMEA's mission is to provide for our Member communities a reliable and economical source of electric power, enabling them to preserve and enhance the benefits of municipal utility ownership for their citizens and the electric customers they serve. We strive to offer services that our Members need and can adapt to provide the best value for their communities and customers.

***We strive to offer services
that our Members need
and can adapt to provide
the best value for their
communities and customers.***





For more than 40 years, our connections have empowered us

The momentum that AMEA has built over the past 40 years propels us ever further, ever forward. The power we share has continued to grow — allowing us to give back even more to our local communities.

Our collective strength has helped stabilize costs and keep rates competitive. We're building new projects to generate hundreds of megawatts of utility-scale power. By 2026, we'll be drastically reducing power supply costs to our Members.

AMEA's success can be attributed to the strength of its membership and the strength of unified action. There is strength in numbers, and the success of our 11 public power utility Members is proof.

As a publicly-owned, not-for-profit provider, we're directly accountable to those we serve, while our collective strength gives us greater buying power. This results in stabilized costs, competitive rates and substantial savings for these communities.

In the late 1970s, the cities of Alexander City, Dothan, Fair-

hope, Foley, LaFayette, Lanett, Luverne, Opelika, Piedmont, Sylacauga, Troy, and Tuskegee explored joining together to stabilize wholesale power supply costs and meet other mutual needs.

In 1981, their efforts resulted in passage of the legislation that enabled the cities to jointly create AMEA as a public corporation to provide dependable, economical electric power and other services for the Member cities.

Today, 40 years later, AMEA continues to provide reliable and economical electric power for public utilities in Alexander City, Dothan, Fairhope, Foley, LaFayette, Lanett, Luverne, Opelika, Piedmont, Sylacauga and Tuskegee, as well as these communities' nearly 350,000 customers.

Our commitment to economical public power and innovative technologies has set the pace for a bright future.



State Rep. Paul Lee of Dothan presents a 40th Anniversary resolution that was passed in the Alabama House of Representatives in 2021. Shown receiving the award are (L to R): Mayor Gary Fuller of Opelika, chairman, AMEA Board of Directors; and Fred Clark, President & CEO, AMEA

From the President & CEO and Chairman of the Board



Gary Fuller
Chairman, Board of Directors

Fred D. Clark, Jr
President & CEO

Forty years ago, leaders of local municipal utilities joined together to establish what is now the Alabama Municipal Electric Authority (AMEA). Those leaders had a clear vision of an organization they wanted to create, and they believed by pooling resources and talent, they could successfully accomplish more together than what could be done individually.

Today, AMEA and our Members are proud of what we have accomplished. Our highest priority is serving our Members, and we do that by providing cost-effective, reliable energy and energy services, managing our resources wisely, and delivering services that help our Members and their communities thrive. It has been our mission for the past 40 years and will continue to be our core focus for years to come.

The 2021 Annual Report describes the way our Member communities, Board of Directors, and AMEA work together to achieve success.

AMEA continues to maintain a strong financial foundation, build strong power supply initiatives, and add new technologies and methods that continue to sharpen our performance, all while keeping competitive wholesale rates.

Since 2012, AMEA has not increased wholesale electric rates to its Members and expect this rate stability with no increases through 2025. In addition, we are excited to announce a rate reduction of 25 percent beginning in 2026.

We take our partnership with our Members and their communities to heart. From the Smart Grid and Electric Vehicle Charging Initiatives to the Member Training Support, Economic Development Support and Scholarship Programs, we are invested in our core purpose of enhancing the value of Member utilities to their customers and communities.

Since 2016, the AMEA Smart Grid Initiative has provided \$40 million to help our Members upgrade their metering systems, better monitor their distribution systems, improve

reliability and security, and provide tools to help Members' customers better manage their electric usage.

Electric utilities can play a pivotal role in the future of transportation electrification and as such, AMEA continues to provide services that enhance our Members' innovation. Several AMEA Members have added electric vehicles (EVs) to their utility fleets as well as installed EV charging stations in their communities through the AMEA Electric Vehicle Charging Initiative. The Initiative provides \$1 million to AMEA Members for use in connection with EV charging infrastructure as well as the adoption of EVs in Member utility fleets.

We expanded our overall cybersecurity efforts to ensure greater reliability and we're working on a framework to

bring our Members new cybersecurity services to protect their organizations.

We enhanced the value of our Members to their communities by fostering relationships with legislators and communicating the value of public power with key stakeholders.

Through power supply initiatives, competitive rates, assets, and selected value-added programs and services, we continue to be strong and vibrant. Anchored by a belief in strategic planning (from the Members up); safeguarded by the oversight of a committed Board of Directors; governed by policies established by the Board; supported by Member involvement; and stimulated by progressive leadership, AMEA is dedicated to contributing to the betterment of our Members' communities.

What has remained consistent over the last 40 years is AMEA's focus on, and commitment to, our Members. We are excited to continue to help them achieve their goals and meet the evolving needs of their communities.

AMEA Board of Directors



Gary Fuller
Chairman
City of Opelika



Morris Tate
Vice Chairman
Electric Board of the City of Luverne



Dale Baker
Secretary/Treasurer
Utilities Board of the City of Sylacauga



Woody Baird
City of Alexander City



Jack Burrell
City of Fairhope



Louis Davidson
City of LaFayette

AMEA Board of Directors



Tom DeBell
Utilities Board of the
City of Foley-Riviera Utilities



Albert Kirkland
City of Dothan



Kyle McCoy
City of Lanett



Casey Ponder
City of Piedmont



Harold Washington
Utilities Board of the City of Tuskegee

Our Communities

The Alabama Municipal Electric Authority (AMEA) is the wholesale power provider for 11 municipally-owned electric systems in Alabama, which serve approximately 350,000 customers in the cities of Alexander City, Dothan, Fairhope, Foley, LaFayette, Lanett, Luverne, Opelika, Piedmont, Sylacauga and Tuskegee.

Fairhope



Alexander City



Foley



Dothan



LaFayette



Lanett



Piedmont



Luverne

The City of Luverne
The Friendliest City in the South



Sylacauga



Opelika



Tuskegee





AMEA Current Power Supply Resources

- AMEA has a
**Power Supply Agreement
with Alabama Power Company.**

- AMEA acts as the agent for
**Members' contracts
with the
Southeastern Power Administration.**

- AMEA owns and operates
a peaking generation plant,
AMEA-Sylacauga Plant.

- AMEA has a
**Power Purchase Agreement
with the South Carolina
Public Service Authority.**

- AMEA has a
**Power Purchase Agreement with
Southern Power Company.**

- AMEA has a separate
**100 MW Power Purchase Agreement
with Alabama Power Company.**

AMEA's Generation Resources



Coal (41.4%)



**Natural Gas
(13.8%)**



Nuclear (23.1%)



Hydro (19.7%)



**Renewables
(2.0%)**

AMEA Support Services

AMEA strives to offer services that our Members need and can adapt to provide the best value for their communities and customers.

Some of those services include:

- Cost of Service Studies
- Regulatory Compliance Support and Coordination
- Territorial Legal and Engineering Support
- Distribution Services
- Flex Power TM
- Joint Action Services Working Group
- Communications and Marketing Support
- AMEA Scholarship Program
- Economic Development Support Programs
- Hometown Connections® Affiliation and Partial Ownership
- American Public Power Association (APPA) Membership for Members
- APPA's Demonstration of Energy & Efficiency Developments (DEED) Membership for Members
- Electric Cities of Alabama Membership for Members
- TVPPA Affiliate Membership for Members
- Telecommunication Support Services
- Peer Review Programs

AMEA By the Numbers: 2021



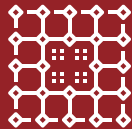
**Energy Sold to Members:
3,097 GWh**



**Contract Capacity
Savings: \$10.9M**



**Renewable Kilowatt
Hours Generated at
Member Solar Projects:
612,728 kWh**



**Smart Grid Initiative:
\$12M (Bringing Total
Returned to Members to
\$40M since 2016)**



**Electric Vehicle Charging
Initiative Investments in
3 Member Cities:
\$311,625**



**AMEA
Economic Development
Grant Program:
\$220,000**



**AMEA
Scholarship Program:
\$110,000**

AMEA committed to providing low-cost, reliable electricity

- **Alabama Power Company 100 MW Agreement**

In 2015, AMEA exercised an option under the current power supply agreement with Alabama Power Company (PSA), to procure a separate power supply resource to offset capacity and energy purchased under the original PSA. At the time, AMEA initiated a procurement process, and based on pricing available in the market, decided the best option was to negotiate and execute a separate 100-MW power purchase agreement with Alabama Power Company. The new agreement provided 100 MWs of capacity and energy from Alabama Power's existing generating fleet, at a much lower price than the original PSA. Power deliveries under the 100-MW agreement, began in January of 2021. After the first year of operation, AMEA reduced capacity expenses by over \$9.5M and reduced AMEA's energy expense by an estimated \$3.5M. Because the contract procures energy at market prices to offset energy delivered from older, less efficient, coal units, the contract has and will continue to benefit AMEA Members throughout its remaining term.



- **Southern Power Company Requirements Service Agreement**



AMEA signed a requirements services agreement with Southern Power Company in 2020 (RSA) that will provide all AMEA's incremental capacity and energy requirements, above AMEA's other resources beginning in 2026. In 2021, AMEA began preparations to transition to the new power supply partner, addressing operational, transmission, and regulatory changes before the contract begins in 2026. This past year, AMEA initiated studies to determine if upgrades will be required to existing transmission facilities so AMEA can receive energy delivered from Southern Power Company's generation fleet. AMEA collaborated with Southern Power Company in the development of operating procedures that dictate how specific contract provisions will be addressed with Southern Power Company. These procedures, once fully developed, will detail how AMEA's other resources, specifically, the Black Bear Solar Project, AMEA-Sylacauga Plant, and a Morgan Stanley 200-MW block power purchase agreement will be incorporated into the RSA. In addition, AMEA has been reviewing other contract terms and is determining the best strategies for future rate stability, while ensuring any new regulatory and transmission constraints are met. The contract gives AMEA options on renewable generation development, behind-the-meter-generation, fuel hedging, and many other power supply related initiatives. In 2021, AMEA began to develop strategies to evaluate and take advantage of these options to determine if they can provide additional value to our Members over the next decade.



- **Electricity Prepay**

AMEA continues to work with partners to deliver additional savings to Members by using a tax-exempt bond issuance to prepay for future energy deliveries. In 2021, AMEA successfully negotiated contract changes to the Lightsource BP Solar contract to allow AMEA to prepay for energy from the Black Bear Solar Project, once it's online. In May of 2021, AMEA officially partnered with Orrick, Herrington, & Sutcliffe to act as Bond Counsel on any power prepayment that AMEA is involved with. Orrick, Herrington & Sutcliffe have vast experience in municipal prepay transactions, and AMEA is excited about the partnership. AMEA continues work with the financial advisors at Municipal Capital Markets and our Energy Counsel at McCarter English and Bradley Arant. With the expertise of our team of partners, AMEA is well positioned to address all legal and financial matters as they pertain to tax-exempt energy prepayments.

AMEA also spent significant time in 2021 partnering with Alabama Power to work on incorporating our Power Supply Contract into a larger energy prepayment transaction. AMEA hopes to deliver significant savings to Members through these prepay initiatives in the coming years.



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AMEA works with Members on Joint AMI Project

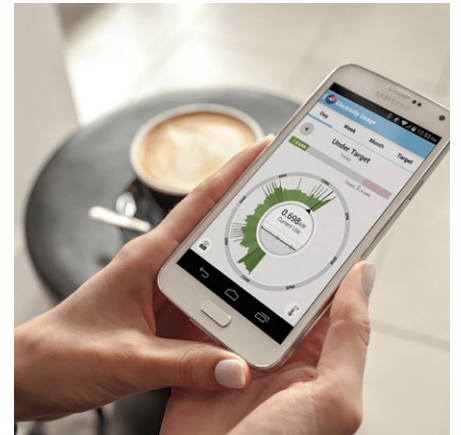
Advanced metering infrastructure (AMI) can provide the necessary information to help improve energy efficiency and bring other operational benefits that will help utilities manage costs more effectively and improve customer service. An AMI solution can help a utility improve business operations management, better manage customer energy usage and manage energy resources. Those utilities that learn to use the data will have the ability to tailor education and outreach with their customers on their peak usage patterns as well as monthly usage.

In December 2020, the AMEA Board of Directors approved a \$5 million Smart Grid Metering Initiative. The purpose of the initiative is to assist six (6) of AMEA's Members, which included Alexander City, Fairhope, LaFayette, Lanett, Luverne and Piedmont, with the purchase, installation, commissioning, and expansion of AMI systems and related infrastructure. The remaining five (5) Members are in the process or have already commissioned and deployed AMI systems.

The approved resolution authorizes AMEA to initially designate \$5 million into a Smart Grid Metering Initiative for allocation as a line of credit to be made available to the participating Members.

This joint effort will not only meet our Members' current AMI needs, but it also provides a technology infrastructure to support future smart grid systems and services for their communities.

In 2021, the participating Members selected Sensus/Core & Main as the vendor for the Joint AMI Project and AMEA approved the contract documents. This was an extensive effort by all participating Members.



AMEA files motion to intervene in FERC case

AMEA, acting on behalf of its Members, actively follows and challenges Federal Energy Regulatory Commission (FERC) regulatory actions that might impact transmission-related costs or service.

In 2021, AMEA filed a motion to intervene in the case involving Southern Companies, along with 11 other regional transmission providers that filed documents with FERC for the formation of the Southeast Energy Exchange Market (Southeast EEM). At its core, the Southeast EEM is a matching service between buyers and sellers in a 15-minute, intra-hour, bi-lateral, wholesale trading market.



Based on AMEA's reviews, as well as those of our legal counsel, we have determined that the Southeast EEM framework appears to be beneficial for the Southern Companies which will, in turn, be good for AMEA through our contracts for power supply with our business partners. This will also facilitate the integration of more renewable energy sources while minimizing curtailment of those resources.



AMEA returns \$40M to Members in Smart Grid Initiative

In 2021, AMEA added an additional \$12 million to the Smart Grid Initiative, bringing the total amount returned to Members for the initiative since 2016 to \$40 million...a significant investment in AMEA's 40th year.

Through the Initiative, Members can utilize the funds for the purchase, installation and commissioning of Automated Meter Information (AMI) systems; the purchase, installation and commissioning of smart meters; further deployment of resource management and load management systems or programs; and electric utility system improvements such as capacitor bank installations on the distribution system, upgrading substation electrical equipment, upgrading of distribution circuits or construction of a new substation.



AMEA EV Charging Initiative provides innovative load growth opportunity for AMEA Members

Ownership of plug-in electric vehicles (PEV) has increased and caused a growing need for publicly accessible electric vehicle (EV) charging stations.

Electric utilities can play a pivotal role in the future of transportation electrification. Increasing battery capacity, decreasing battery costs, and purchase incentives are likely to lead to heightened PEV adoption in the United States.

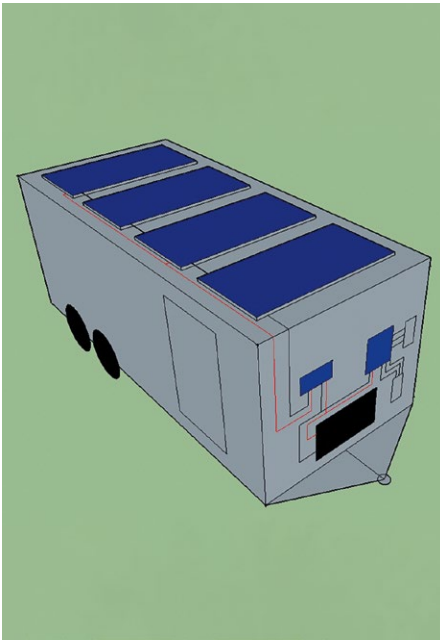
In August 2019, the AMEA Board of Directors approved a resolution to support the joint action agency's 11 Members in implementing EV charging infrastructure in their communities.

The AMEA Electric Vehicle Charging Initiative provides \$1 million to AMEA Members for use in connection with electric vehicle charging infrastructure as well as the adoption of EVs in Member utility fleets.

In 2021, several AMEA Members commissioned ChargePoint EV charging stations in their communities through the AMEA Electric Vehicle Charging Initiative. Members are looking to adopt EVs into their utility fleets as well with the help of the AMEA EV Charging Initiative. Alexander City, Dothan and Riviera Utilities have implemented EV chargers in their communities.



AMEA awarded DEED grant



In April 2021, AMEA received notification that it has received an American Public Power Association (APPA) DEED grant for the AMEA Solar+Storage Operations Support Trailer. The trailer will be used by AMEA to offer support to AMEA Members during outages due to storms, construction projects, and as an educational tool for solar and battery backup information.

The Solar+Storage Operations Support Trailer will consist of an 18-foot enclosed trailer with four to six 320W solar panels mounted on the roof, an MPPT battery charge controller to maximize the output that the PV system can produce at a given moment, a battery bank that is rated at 48V/300Ah (14.4kWhs), and a combination inverter and charger rated at 240/120V AC. The inverter/charger will connect to two AC panels, one for AC input and one for AC output. The AC input panel will connect to an external NEMA 14-50R outlet for connection to shore power either from a 10kW backup generator or utility power while not in use.

The backup generator will supply power surge capabilities and drained battery bank charging. The AC output can be used to charge cell phones, charge equipment batteries (lights, drills, saws, etc.), provide power for communications, SCADA, and internet equipment, provide power for an emergency operations location, provide power for small emergency pumping, and provide power for refrigerators/freezers/water heaters.



APPA's DEED — Demonstration of Energy & Efficiency Developments — program supports public power research and development through project grants and scholarships. Grants help to fund innovative ventures that can improve efficiency, reduce costs, support adoption of new technologies, launch new products and services, and institute best practices to better serve public power customers. DEED grants support pilot projects, new technology demonstrations, early commercialization projects, and development of best practices. Funded initiatives can center on energy efficiency, environment, reliability, safety, security, telecommunications and other electric utility issues.

AMEA Board approves energy rate reduction

In June 2021, the AMEA Board of Directors approved a reduction in Members' wholesale power bills. The approved rate reduction will provide annual savings of around \$3.25 million to AMEA Members.

The structure of rates will remain the same. However, this rate change will reduce the energy portion of AMEA wholesale power bills by 2 mills/kWh in the months of October through April, beginning Oct. 1, 2021.

In an industry that has seen many rate hikes over the years, this is the first change under AMEA's wholesale power rates since 2012. The reduction is made possible by new contracts AMEA has put in place over the past several years.



Construction begins on AMEA/Lightsource BP Solar Project

lightsourcebp   Construction on the AMEA/Lightsource BP Solar Project, a 100-MW utility-scale solar project, located in south Montgomery County, began in August 2021. Lightsource BP will finance, develop, build, own, and operate the solar facility and will deliver energy to AMEA under a 20-year power purchase agreement.

The project, situated 15 miles from AMEA's headquarters in Montgomery, will supply clean energy to AMEA's 11 Member utilities located across the state and will generate enough electricity to power more than 20,000 homes.

The project will be one of the largest solar arrays in Alabama when it reaches completion in 2022, deploying over 300,000 solar panels across 800 acres. Lightsource BP and project investors will invest approximately \$125 million into the solar facility.

The dedication for the solar project is scheduled for October 20, 2022.



AMEA enhances training opportunities for Members

As part of its ongoing effort to expand training, safety and educational opportunities through its Distribution Services department, AMEA facilitated four chainsaw safety training courses in 2021. The classes were conducted by Forest Applications Training. Linemen from throughout AMEA's service territory participated in the three-day course during the four classes. The training was hosted in Sylacauga, Opelika and Dothan. The class included extensive hands-on training on chainsaw operations, tree felling, limbing, bucking, and storm clean-up.

In addition, AMEA also facilitated monthly safety meetings in Member cities, as well as other training opportunities throughout the year.



AMEA unveils new video

AMEA began the development of a video, entitled Roadmap to the Future, in late 2020 and continued its development in 2021. Working with our vendor, Copperwing, the new video, which is approximately seven minutes in length, includes an overview of AMEA's activities, notable projects, and initiatives for the past 40 years. The video also includes interviews with three (3) AMEA Member city leaders. The video was launched in the summer of 2021.



AMEA honors Governor Ivey with Excellence in Leadership Award

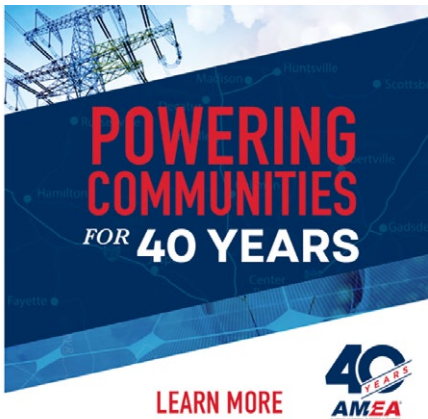
In November, AMEA awarded Governor Kay Ivey with the Excellence in Leadership Award for her unwavering commitment and dedication to the state of Alabama.

"Governor Ivey has served and continues to serve our state with honor and integrity," said Fred Clark, AMEA President & CEO. "Today, we honor her tremendous accomplishments and successes as she continues to lead our great state with steadfastness, perseverance and determination." From Rebuild Alabama to the state's tremendous economic development accomplishments showcasing our strong workforce, to achieving the state's lowest unemployment rate, to the challenges of the COVID pandemic, Governor Ivey continues to be a trailblazer for our state. "We thank Governor Ivey for her tireless efforts as she and her team navigate one of the most challenging years in our state's history," Clark added. "We are extremely proud of Governor Ivey and feel she is most deserving of the AMEA Excellence in Leadership Award."

"Governor Ivey has served and continues to serve our state with honor and integrity," said Fred Clark, AMEA President & CEO.



AMEA enhances efforts in public power awareness



Throughout 2021, AMEA enhanced its efforts in bringing a greater understanding of the value of public power as well as an awareness of AMEA. One of AMEA's key strategic objectives in its 2021 Strategic Work Plan is that it will retain and build on the trust of its Members by strengthening relations and communications with and among the Members and the communities they serve while emphasizing the value of public power. Also, AMEA will expand its collaborative relationship with its Members and other stakeholders to actively support economic and community development throughout their communities. To bring an awareness of the AMEA brand and public power to Alabama's state legislators, AMEA began running an image

building campaign on digital media in early 2021 in Yellowhammer News, Alabama Political Reporter, and Alabama Daily News. The campaign can be seen on these news outlets' e-newsletters or on their web sites.

Also in 2021, AMEA placed a greater emphasis on its community development efforts through several partnerships and initiatives. Some of those included the Alabama League of Municipalities' new Economic Development Academy for elected leaders, Main Street Alabama, Alabama Communities of Excellence, Auburn University's Government and Economic Development Institute, Chamber of Commerce Association of Alabama, as well as the chambers of commerce in AMEA's Member cities. Throughout the year, AMEA actively supported economic and community development throughout our communities, as well as efforts to improve the quality of life and promote vibrant, active, economically stable communities.



Creating Jobs. Keeping Character.



AMEA thanks Members for 40-year partnership

AMEA honored its 11 Members for their 40 years of partnership and support in December 2021. AMEA recognized Members with a special award. AMEA also honored those founding leaders and partners who were instrumental in the formation of the organization.

“Because of the vision, leadership and support of our Members throughout the past 40 years, AMEA has become a valued partner in Alabama’s electric utility community,” said Fred Clark, AMEA President & CEO. ”

AMEA continues to be a reliable and economical power supplier for its Members. Members are committed more than ever to Joint Action as they are benefiting from AMEA’s power supply initiatives, resources, and selected value-added programs and services.”



AMEA Management Team



Fred D. Clark, Jr.
President & CEO



Samantha Alexander
Executive Assistant and
Board Secretary



Alan Williford
Executive Vice President and
Chief Operating Officer



Tina Roberts
Chief Financial Officer



Lisa M. Miller
Manager of Communications
and Economic Development



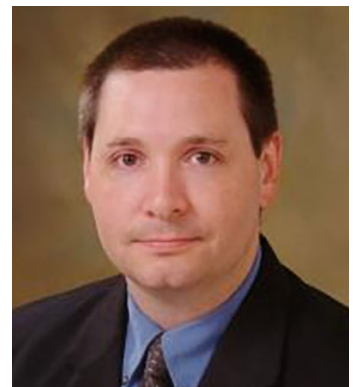
Tim Foster
Manager of
Generation Assets



Mark Ennis, P.E.
Manager of Compliance
and Distribution Services



Peter Thompson
Manager of Power Administration
and Governmental Affairs



Arthur Bishop
Manager of Transmission and
Distribution Technology Support

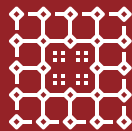
2021 Financial Highlights



Revenue From
Electricity Sales:
\$201M



Average Delivered Cost:
6.104 Cents/KWh



Smart Grid Initiative:
\$12M



Purchased Power
Cost Reduction:
\$4.2M



Power Supply
Cost per kWh:
5.2186 Cents/KWh
(Purchased Power +
Sylacauga Gas)



Increase in Unrestricted
Net Position:
\$3M

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:

	<u>2021</u>	<u>2020</u>
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:

	<u>2021</u>	<u>2020</u>
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).

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

SHAREHOLDERS

William L. Cox, CPA, CVA
Rhonda L. Sibley, CPA, AEP®
Jeffrey T. Windham, CPA, ABV, CFF, CVA
B. David Chandler, CPA, CVA
Scott E. Grier, CPA, CVA

Jason A. Westbrook, CPA, CVA
Corey R. Savoie, CPA
Caterina Ardon Mozingo, CPA, PFS
Jessica L. Hudson, CPA

PRINCIPALS

Leigh McCalla Dykes, CPA
Ashley Conner Lough, CPA
Amanda B. Hines, CPA
D. Joseph Mills, CPA

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.

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.

Albridge, 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

<u>Assets</u>	<u>2021</u>	<u>2020</u>
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

<u>Liabilities, Deferred Inflows, and Net Position</u>	<u>2021</u>	<u>2020</u>
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

	<u>2021</u>	<u>2020</u>
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

	<u>2021</u>	<u>2020</u>
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

	<u>2021</u>	<u>2020</u>
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:

<u>Note</u>	<u>2021</u>	<u>2020</u>
(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:

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

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:

	<u>2021</u>	<u>2020</u>
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:

<u>2021</u>	<u>Fair Value</u>	<u>Cost</u>
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	<u>\$ 90,423,424</u>	<u>\$ 90,397,697</u>
Consisting of:		
Special funds invested	\$ 5,144,569	
Current assets - funds invested	<u>85,278,855</u>	
Total funds invested	<u>\$ 90,423,424</u>	

<u>2020</u>	<u>Fair Value</u>	<u>Cost</u>
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	<u>\$ 80,293,650</u>	<u>\$ 79,917,005</u>
Consisting of:		
Special funds invested	\$ 5,144,917	
Current assets - funds invested	<u>75,148,733</u>	
Total funds invested	<u>\$ 80,293,650</u>	

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

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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	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
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
	<u>1,762,621</u>	<u>1,789,623</u>	<u>235,755,031</u>	<u>233,992,410</u>
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
	<u>(1,548,750)</u>	<u>1,330,833</u>	<u>272,520,642</u>	<u>274,069,392</u>
	<u>\$ 3,311,371</u>	<u>\$ 458,790</u>	<u>\$ (36,765,611)</u>	<u>\$ (40,076,982)</u>

7. Long-Term Debt

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

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

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	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
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 composition of representatives within the ERS Board of Control. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

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

Benefits Provided

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

	<u>Number</u>
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:

<u>Contributor</u>	<u>September 30, 2021</u>		<u>September 30, 2020</u>	
	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 1</u>	<u>Tier 2</u>
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:

	<u>Expected</u>	<u>Actual Before Act 2019-132</u>	<u>Actual After Act 2019-132</u>
(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.

Alabama Municipal Electric Authority

	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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
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	<u>7,350,101</u>	<u>6,911,692</u>	<u>6,483,163</u>	<u>6,180,865</u>	<u>4,987,926</u>	<u>4,980,777</u>	<u>4,785,744</u>			
Total pension liability - ending (a)	<u>\$ 7,926,151</u>	<u>\$ 7,350,101</u>	<u>\$ 6,911,692</u>	<u>\$ 6,483,163</u>	<u>\$ 6,180,865</u>	<u>\$ 4,987,926</u>	<u>\$ 4,980,777</u>			
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	<u>4,661,593</u>	<u>4,535,961</u>	<u>4,163,366</u>	<u>3,706,246</u>	<u>3,388,827</u>	<u>3,308,001</u>	<u>3,026,883</u>			
Plan net position - ending (b)	<u>4,929,343</u>	<u>4,661,593</u>	<u>4,535,961</u>	<u>4,163,366</u>	<u>3,706,246</u>	<u>3,388,827</u>	<u>3,308,001</u>			
Net pension liability (asset) - ending (a)-(b)	<u>2,996,808</u>	<u>2,688,508</u>	<u>2,375,731</u>	<u>2,319,797</u>	<u>2,474,619</u>	<u>1,599,099</u>	<u>1,672,776</u>			
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	Power Billing	Income - Other	Other	Investment	Transfers	Funds Invested
	<u>09/30/2020</u>	<u>Receipts</u>	<u>Electricity Sales</u>	<u>Income</u>	<u>Income</u>	<u>Disbursements</u>	<u>09/30/2021</u>
Debt Service Fund:							
Debt service account	\$ 144,917	\$ -	\$ -	\$ -	\$ 134	\$ (1,739,005)	\$ 1,738,524
Debt service reserve account	-	-	-	-	-	-	-
	144,917	-	-	-	134	(1,739,005)	144,569
General Reserve Fund	-	-	-	-	-	-	-
Reserve and Contingency Fund	5,000,000	-	-	-	876	-	(876)
Revenue Fund:							
Revenue account	41	203,048,869	230,967	1,237,203	(320,664)	-	(204,196,309)
Rate stabilization account	44,000,000	-	-	-	-	-	-
	44,000,041	203,048,869	230,967	1,237,203	(320,664)	-	(204,196,309)
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
	31,148,692	-	-	-	26,101	(192,354,706)	202,458,661
	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

	<u>2021</u>	<u>2020</u>
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	<u>191,943,689</u>	<u>195,548,441</u>
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	<u>189,919,733</u>	<u>192,847,774</u>
Excess of revenues over expenses	<u>\$ 2,023,956</u>	<u>\$ 2,700,668</u>

Core Values

Accountability

Accountability builds trust and promotes a sense of ownership. We consistently make our best individual and collective contributions to the business success and satisfaction of both our Members and their customers.

Member Satisfaction

For AMEA, Members always come first—we give them our best efforts within the limits established by policy and budgeted resources. By consistently achieving their satisfaction, we inspire confidence and strengthen our ability to undertake new responsibilities for them.

Teamwork

We can produce the best decisions and results for our Members by openly communicating and working together, promoting diverse ideas and opinions. Teamwork fosters supportive relationships and increased opportunities for professional and individual growth.

Ethics

We believe in ethical conduct, both individually and collectively, that goes beyond compliance with the law. We strive to act that enhance AMEA's reputation, and are committed to alignment between our behaviors and beliefs about what is right and wrong.

Adaptability

Adaptability is a proactive, effective way to manage the impacts of changes in AMEA's business environment. We can anticipate opportunities and challenges, transform AMEA to make the best of new conditions, and go beyond our established areas of expertise.

Financial stability

Financial stability builds trust that AMEA can meet financial obligations, enabling us to access resources needed to accomplish our mission for our Members and ensuring longevity as a successful public business enterprise.



Alabama Municipal Electric Authority

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