

# Alabama Municipal Electric Authority

Financial Statements as of and for the  
Years Ended September 30, 2019 and 2018,  
Additional Information for the Years Ended  
September 30, 2019 and 2018, and  
Independent Auditors' Report

# ALABAMA MUNICIPAL ELECTRIC AUTHORITY

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# ALABAMA MUNICIPAL ELECTRIC AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

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

## Financial Analysis—2019 Compared to 2018

Condensed statements of net position as of September 30, 2019 and 2018, are as follows:

	<b>2019</b>	<b>2018</b>
Long-term assets	\$ 34,312,523	\$ 34,265,365
Current assets	102,077,122	101,645,891
Deferred outflows of resources	<u>1,142,096</u>	<u>1,249,176</u>
Total assets and deferred outflows of resources	<u>137,531,741</u>	<u>137,160,432</u>
Long-term liabilities	29,412,014	30,992,747
Current liabilities	36,161,085	37,462,532
Deferred inflows of resources	<u>40,535,772</u>	<u>39,619,923</u>
Total liabilities and deferred inflows of resources	<u>106,108,871</u>	<u>108,075,202</u>
Net position	<u>\$ 31,422,870</u>	<u>\$ 29,085,230</u>

### Total Assets and Deferred Outflows of Resources

Total assets and deferred outflows of resources changed very little from year end 2018 to year end 2019, increasing by only \$371,309 from one year to the next. Components of this change are as follows:

- \$47,158 increase came from long-term assets. Long-term asset changes are as follows:
  - property and equipment, net, decreased by \$1,196,217, which resulted from an asset increase of \$744,349 and offset by an increase of \$1,940,566 in accumulated depreciation;
  - other long-term assets decreased by \$283,549, of which the majority of the change came from: a \$275,000 decrease in long-term receivables of AMEA's Capital Fund Program as several loans near maturity;
  - special funds invested increased by \$1,666,859, largely resulting from the AMEA Board of Directors creating an order to fund the Reserve and Contingency account for extraordinary maintenance of the AMEA-Sylacauga Plant up to \$5,000,000, an increase of \$1,605,000 from 2018;
  - regulatory assets decreased by \$139,935 due to a change in pension valuation as well as standard amortization of assets.
- Current assets increased by \$431,231, of which notable items are as follows:
  - revenue fund increased by \$1,042,972 and the operations and maintenance fund increased by \$1,961,643;
  - receivables from participating members decreased by \$2,695,057 due to a slight change in due dates of August power bills, which resulted in more payments made before year end;

- short-term Capital Fund Program receivable increased by \$264,250, as receivables become due within the next 12 months;
- short-term notes receivables decreased by \$375,000 as an owner-financed sale of property was paid off;
- other receivables, prepaid expenses, and materials and supplies all increased.
- Deferred outflows of resources decreased by \$107,080 due to the amortization of the loss on refunding debt and changes in current-year pension expenses.

**Total Liabilities and Deferred Inflows of Resources—**

Total liabilities and deferred inflows of resources decreased by \$1,966,331 and was made up of the following changes:

- total long-term liabilities decreased by \$1,580,733 due to a portion of bonds nearing maturity and offset by a small increase in pension liability;
- current liabilities decreased by \$1,301,447. This decrease is largely due to the following:
  - funds payable to members under the Smart Grid Initiative decreased by \$1,025,224 due to total payments made equaling \$6,025,224 and offset by an additional \$5,000,000 allocated under the Smart Grid Initiative II;
  - amounts payable under power supply contracts decreased by \$169,181, and other current liabilities decreased by \$161,758, both due to normal changes in purchasing for energy usage;
- deferred inflows of resources increased by \$915,849, mostly due to a \$1,000,000 increase in the rate stabilization account.

**Net Position** - Net position increased by \$371,309.

A summary of operations for the years ended September 30, 2019 and 2018, is as follows:

	<b>2019</b>	<b>2018</b>
Gross operating revenues	\$ 207,470,053	\$ 218,118,730
Changes in net costs to be refunded to Participating Members	<u>(915,849)</u>	<u>(1,793,252)</u>
Operating revenues	<u>206,554,204</u>	<u>216,325,478</u>
Operating expenses:		
Purchased power expenses, Transmission and distribution expenses	194,256,153	203,866,269
Plant operating expenses	2,473,664	1,526,066
Administrative, general, and other operating expenses	<u>8,389,009</u>	<u>8,271,885</u>
Total operating expenses	<u>205,118,826</u>	<u>213,664,220</u>
Net operating income	1,435,378	2,661,258
Other income (expense)—net	<u>902,262</u>	<u>(571,338)</u>
Excess of revenues over expenses	2,337,640	2,089,920
Net position—beginning of year	<u>29,085,230</u>	<u>26,995,310</u>
Net position—end of year	<u>\$ 31,422,870</u>	<u>\$ 29,085,230</u>

**Gross Operating Revenues**—Gross operating revenues decreased by \$10,648,677. Capacity sales were up \$4,374,058 while energy sales were down \$13,183,063. Smart Grid Initiatives' contribution differentials added to the change as well. \$5,000,000 and \$3,244,079 of revenues were used to fund this initiative in 2019 and 2018, respectively.

**Changes in Net Costs to be Refunded to Participating Members**—The difference in this account was \$877,403 mostly due to a \$1,000,000 change in the annual transfer to rate stabilization (see Note 6).

**Operating Expenses**—Total operating expenses decreased by \$8,545,394. Purchased power expenses decreased by \$9,822,286, made up of an increase in capacity costs of \$4,067,267 and a decrease in energy costs of \$13,889,552. Transmission and distribution costs increased by \$212,170. Plant operating expenses increased by \$947,598. Other expenses in this category increased by \$117,123.

**Other Income (Expense)—Net**—Other income (expense)—net increased by \$1,473,600. Interest expense and amortization of bond discounts, issuance costs, and excess costs of bond refunding decreased by \$47,633 and \$6,956, respectively. Interest income increased by \$859,159 as interest rates were raised across all investments. Investment gain (loss) increased by \$694,857 due to market valuations and a loss on an investment in Hometown Connections in the previous year. Other income decreased by \$135,005 largely due to a change in rental income.

**Liquidity and Capital Resources**—On September 30, 2019, the Authority had cash and cash equivalents of \$50,773,839, an increase of \$1,905,067 from the prior year. Cash

receipts for operating activities were \$5,899,779 more than cash paid for operating expenses. \$3,161,382 was paid out for capital and related financing activities, and \$833,330 was paid out for investing activities. Cash and cash equivalents balances are composed of the Working Capital account, including the Operating and Maintenance fund, and the Rate Stabilization account, which is included in the Revenue fund.

The Authority's debt classified as long-term as of September 30, 2019, is \$27,036,283. This debt was issued in 2013 to refinance the 2003 bonds, which 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 2033 (see Note 7).

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

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PRINCIPALS

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Jessica L. Hudson, 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, 2019 and 2018, 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, 2019 and 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

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

### ***Other Information***

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

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

*Albridge, Borden and Company, P.C.*

Montgomery, Alabama  
February 20, 2020

# ALABAMA MUNICIPAL ELECTRIC AUTHORITY

## STATEMENTS OF NET POSITION AS OF SEPTEMBER 30, 2019 AND 2018

	2019	2018
<b>ASSETS</b>		
PROPERTY AND EQUIPMENT—Net	\$ 20,154,676	\$ 21,350,893
OTHER LONG-TERM ASSETS:		
Investments	350,000	350,000
Capital fund program receivable	675,000	950,000
Prepaid expenses	<u>70,490</u>	<u>79,039</u>
Total other long-term assets	<u>1,095,490</u>	<u>1,379,039</u>
SPECIAL FUNDS INVESTED (restricted):		
Debt service fund	3,013,187	2,951,328
Reserve and contingency fund	<u>5,000,000</u>	<u>3,395,000</u>
Total special funds invested	<u>8,013,187</u>	<u>6,346,328</u>
CURRENT ASSETS:		
Funds invested:		
Revenue fund	44,058,725	43,015,753
Operation and maintenance fund	<u>32,726,001</u>	<u>30,764,358</u>
Total funds invested	76,784,726	73,780,111
Receivables from participating members	23,804,452	26,499,509
Other receivables	310,803	155,040
Notes receivables		375,000
Materials and supplies	338,324	283,015
Capital fund program receivable	689,250	425,000
Prepaid expenses	<u>149,567</u>	<u>128,216</u>
Total current assets	<u>102,077,122</u>	<u>101,645,891</u>
REGULATORY ASSETS—Net	<u>5,049,170</u>	<u>5,189,105</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Loss on Refunding Debt	975,655	1,093,981
Pension	<u>166,441</u>	<u>155,195</u>
Total deferred outflows of resources	<u>1,142,096</u>	<u>1,249,176</u>
<b>TOTAL</b>	<u>\$ 137,531,741</u>	<u>\$ 137,160,432</u>

# ALABAMA MUNICIPAL ELECTRIC AUTHORITY

## STATEMENTS OF NET POSITION AS OF SEPTEMBER 30, 2019 AND 2018

	2019	2018
<b>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>		
LONG-TERM LIABILITIES:		
Revenue bonds—net of unamortized discounts	\$ 27,036,283	\$ 28,672,950
Pension liability	<u>2,375,731</u>	<u>2,319,797</u>
Total long-term liabilities	<u>29,412,014</u>	<u>30,992,747</u>
PAYABLE FROM RESTRICTED ASSETS:		
Current maturities of revenue bonds	1,645,000	1,585,000
Special funds—accrued interest on revenue bonds	<u>90,093</u>	<u>95,377</u>
Total payable from restricted assets	<u>1,735,093</u>	<u>1,680,377</u>
CURRENT LIABILITIES:		
Amounts payable under power supply contracts	18,257,803	18,426,984
Members - Smart Grid Initiative	15,143,065	16,168,289
Other current liabilities	<u>1,025,124</u>	<u>1,186,882</u>
Total current liabilities	<u>34,425,992</u>	<u>35,782,155</u>
Total liabilities	<u>65,573,099</u>	<u>68,455,279</u>
DEFERRED INFLOWS OF RESOURCES—Net costs to be refunded to participating members	<u>40,535,772</u>	<u>39,619,923</u>
NET POSITION:		
Invested in capital assets—net of related debt	(6,881,607)	(7,322,057)
Restricted for:		
Debt service	1,278,094	1,270,951
Extraordinary plant maintenance	5,000,000	3,395,000
Unrestricted - Board Designated	1,000,000	
Unrestricted	<u>31,026,383</u>	<u>31,741,336</u>
Total net position	<u>31,422,870</u>	<u>29,085,230</u>
TOTAL	<u>\$ 137,531,741</u>	<u>\$ 137,160,432</u>

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

# ALABAMA MUNICIPAL ELECTRIC AUTHORITY

## STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
OPERATING REVENUES:		
Sales of electricity to participating members	\$ 207,325,076	\$ 217,891,756
Sales of electricity—other	<u>144,977</u>	<u>226,974</u>
Gross operating revenues	207,470,053	218,118,730
Changes in net costs to be refunded to participating members	<u>(915,849)</u>	<u>(1,793,252)</u>
Operating revenues	<u>206,554,204</u>	<u>216,325,478</u>
OPERATING EXPENSES:		
Partial requirements services:		
Purchased power	175,976,287	185,798,573
Transmission and distribution	18,279,866	18,067,696
Plant operating expenses	2,473,664	1,526,066
Other operating and maintenance expenses	757,029	884,563
Administrative and general expenses	5,355,416	5,125,671
Amortization and depreciation	<u>2,276,564</u>	<u>2,261,651</u>
Total operating expenses	<u>205,118,826</u>	<u>213,664,220</u>
NET OPERATING INCOME	<u>1,435,378</u>	<u>2,661,258</u>
OTHER INCOME (EXPENSE):		
Interest expense	(1,139,236)	(1,186,869)
Interest income	1,668,448	809,289
Investment gain (loss)—net	409,505	(285,352)
Other income	135,871	270,876
Amortization of bond discounts, issuance costs, and excess costs of bond refunding	<u>(172,326)</u>	<u>(179,282)</u>
Total other income (expense)—net	<u>902,262</u>	<u>(571,338)</u>
EXCESS OF REVENUES OVER EXPENSES	2,337,640	2,089,920
NET POSITION:		
Balance—beginning of year	<u>29,085,230</u>	<u>26,995,310</u>
Balance—end of year	<u>\$ 31,422,870</u>	<u>\$ 29,085,230</u>

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

# ALABAMA MUNICIPAL ELECTRIC AUTHORITY

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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	2019	2018
OPERATING ACTIVITIES:		
Cash received from sales of electricity	\$ 216,433,095	\$ 216,277,846
Cash paid under power supply contracts	(194,458,757)	(201,901,054)
Cash paid to other suppliers and employees	(16,163,310)	(9,803,449)
Other cash receipts	<u>88,751</u>	<u>513,995</u>
Net cash provided by operating activities	<u>5,899,779</u>	<u>5,087,338</u>
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payment for acquisition of property and equipment	(754,596)	(456,796)
Principal paid on revenue bond maturities	(1,585,000)	(1,540,000)
Interest paid on revenue bonds	(1,144,519)	(1,190,719)
Proceeds from sale of property	375,000	
Other financing costs	<u>(52,267)</u>	<u>(114,669)</u>
Net cash used in capital and related financing activities	<u>(3,161,382)</u>	<u>(3,302,184)</u>
INVESTING ACTIVITIES:		
Payments for purchases of funds invested	(5,521,904)	(5,950,485)
Proceeds from sale of funds invested	3,238,187	2,655,668
Interest income received	<u>1,450,387</u>	<u>806,210</u>
Net cash used in investing activities	<u>(833,330)</u>	<u>(2,488,607)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,905,067	(703,453)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>48,868,772</u>	<u>49,572,225</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 50,773,839</u>	<u>\$ 48,868,772</u>
Displayed as:		
Revenue fund	\$ 44,058,725	\$ 43,015,753
Operation and maintenance fund	32,726,001	30,764,358
Less: investments and accrued interest	<u>(26,010,887)</u>	<u>(24,911,339)</u>
Cash and cash equivalents - End of year	<u>\$ 50,773,839</u>	<u>\$ 48,868,772</u>

# ALABAMA MUNICIPAL ELECTRIC AUTHORITY

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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	2019	2018
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net operating income	<u>\$ 1,435,377</u>	<u>\$ 2,661,258</u>
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Changes in net costs to be refunded to participating members	915,849	1,793,252
Amortization and depreciation	2,276,564	2,261,651
Other cash receipts	133,310	288,349
Changes in assets and liabilities:		
Receivables	2,705,804	(6,058,202)
Prepaid expenses	(21,351)	(16,019)
Materials and supplies	(55,309)	50,646
Deferred outflow of resources—Pension	(11,246)	(1,881)
Amounts payable under power supply contracts	(169,181)	1,941,454
Amounts payable under Smart Grid Initiative	(1,025,224)	1,809,606
Other liabilities	<u>(284,814)</u>	<u>357,224</u>
Total adjustments	<u>4,464,402</u>	<u>2,426,080</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 5,899,779</u>	<u>\$ 5,087,338</u>

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

# ALABAMA MUNICIPAL ELECTRIC AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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### 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 January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. This statement became effective for the Authority for FY2019 and did not have a material impact on the Authority's financial statements.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This statement will become effective for the Authority for FY2020. Management has not yet determined the impact it will have on the Authority's financial statements.

In April 2018, the GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement became effective for the Authority for FY2019 and did not have a material impact 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 FY2021. Management has not yet determined the impact it will have on the Authority's financial statements.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. This statement will become effective for the Authority for FY2020. Management has not yet determined the impact it will have on the Authority's financial statements.

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. This statement will become effective for the Authority for FY2022. Management has not yet determined the impact it will have on the Authority's financial statements.

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

Regulatory assets reflected in the Authority's statements of net position as of September 30, 2019 and 2018, relate to the following:

	2019	2018	Note
Power supply agreements implementation costs	\$ 609,030	\$ 713,137	(a)
Delivery point development costs	1,758,362	1,813,008	(b)
Unamortized bond issuance costs	306,046	343,163	(c)
Pension	<u>2,375,731</u>	<u>2,319,797</u>	(d)
	<u>\$ 5,049,170</u>	<u>\$ 5,189,105</u>	

- (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 \$676,867 and \$572,760 for 2019 and 2018, respectively.
- (b) Delivery point development costs were incurred by the Authority in the construction of transmission substations required in order for Participating Members to efficiently receive power. The Authority's Board directed the Authority to defer and amortize these costs over the life of the contract with Participating Member or the life of the asset, whichever is shorter. The recorded amounts are presented net of accumulated amortization of \$1,052,068 and \$945,155 for 2019 and 2018, respectively.
- (c) Bond issuance costs were incurred by the Authority for the Series 2013A 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 \$236,330 and \$199,213 for 2019 and 2018, 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, 2019 and 2018, as follows:

	<b>2019</b>	<b>2018</b>
Revenue fund—rate stabilization	<u>\$ 50,773,839</u>	<u>\$ 48,868,772</u>

The carrying amount of the Authority’s deposits in Regions Bank public funds accounts as of September 30, 2019 and 2018, was \$50,470,016 and \$48,347,590, respectively. Of this amount, \$250,000 and \$500,000, respectively, was insured by the Federal Deposit Insurance Corporation (FDIC) and \$5,250,016 and \$37,897,590, respectively, was covered by the State of Alabama Security for Alabama Funds Enhancement Act (SAFE) program for public funds. The SAFE program became effective on January 1, 2001, and in case of a failure of a financial institution in the state of Alabama, the SAFE program provides loss coverage for all public funds deposited in excess of amounts covered by the FDIC. As of September 30, 2019 and 2018, \$44,970,000 and \$9,950,000, respectively, of the deposits in Regions Bank public funds account were invested in Morgan Stanley Government Institution mutual funds, which meet collateralization requirements. \$303,823 and \$521,182 of the Authority’s cash and cash equivalents was held in a trust account’s government portfolio with Regions Bank for 2019 and 2018, respectively.

**Investments**—The Authority accounts for investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this statement, investments are recorded at fair value for purposes of reporting under GAAP. Investments in the debt service fund are stated at amortized cost or cost for purposes of reporting in accordance with the terms of the Resolution. At September 30, 2019 and 2018, the fair value of investments in the debt service fund totaled \$2,786,011 and \$2,723,868, respectively. At September 30, 2019 and 2018, the fair value of investments in the revenue fund totaled \$25,952,162 and \$24,895,586, 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, 2019, 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 \$2,065,544 and \$2,052,969 for the years ended September 30, 2019 and 2018, respectively. Property and equipment at September 30, 2019 and 2018, consisted of the following items:

	<b>2019</b>	<b>2018</b>
Electric plant	\$ 42,693,303	\$ 42,171,438
Building	2,162,694	2,047,963
Land	1,455,009	1,455,009
AMEA solar park	306,500	306,499
Member solar parks	609,333	482,886
Equipment	747,367	743,167
Transportation equipment	179,234	167,528
SCADA system	335,261	324,246
Construction Work in Progress	<u>68,422</u>	<u>114,037</u>
	48,557,122	47,812,773
Accumulated depreciation	<u>28,402,446</u>	<u>26,461,880</u>
Property and equipment—net	<u>\$ 20,154,676</u>	<u>\$ 21,350,893</u>

**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.

### **3. POWER SALES CONTRACTS**

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

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

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

### **4. POWER SUPPLY AGREEMENTS**

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

Currently and in the past, the Authority has entered into PSAs with Alabama Power Company (the "Company"), a subsidiary of Southern Company. On December 20, 2001, the Authority entered into its most recent PSA with the Company. 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), the output of the Santee Cooper resource (see further discussion below), and to deliver certain non-firm energy transactions. Both agreements were renewed for a 10-year period in December 2015.

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

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

On May 29, 2013, the Authority entered into a letter agreement with Tenaska Power Services Co. This agreement provides the Authority the opportunity to buy replacement

energy on an hour-to-hour, daily, weekly, and monthly basis under the provisions of the Amended and Restated PSA.

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

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

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

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

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

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

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

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

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

On October 1, 2018 the Authority issued a Request for Proposals for Capacity and Energy to serve the Participating Member's energy requirements for the period of January 1, 2026 through December 31, 2035. The Authority has reviewed the proposals and expects to execute multiple Power Purchase Agreements with qualified counterparties by March of 2020. The responses to the Request for Proposals have been very positive for the Authority and its Participating Members.

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.

## 5. FUNDS INVESTED

The Authority's cash and other funds invested as of September 30, 2019 and 2018, are summarized as follows:

<b>2019</b>	<b>Fair Value</b>	<b>Cost</b>
U.S. government Treasury bonds and agency certificates—held by trustee in the Authority's name (uninsured and unregistered)	\$ 2,786,010	\$ 2,730,720
Money market instruments—mutual funds composed of U.S. Treasury obligations	<u>5,227,177</u>	<u>5,227,177</u>
	8,013,187	7,957,896
Cash and cash equivalent accounts	50,773,839	50,773,839
U.S. government bonds and agency certificates	25,952,162	25,677,295
Accrued interest and other	<u>58,725</u>	<u>58,725</u>
Total funds invested	<u>\$ 84,797,913</u>	<u>\$ 84,467,755</u>
Consisting of:		
Special funds invested	\$ 8,013,187	
Current assets—funds invested	<u>76,784,726</u>	
	<u>\$ 84,797,913</u>	
<b>2018</b>	<b>Fair Value</b>	<b>Cost</b>
U.S. government Treasury bonds and agency certificates—held by trustee in the Authority's name (uninsured and unregistered)	\$ 2,723,868	\$ 2,730,720
Money market instruments—mutual funds composed of U.S. Treasury obligations	<u>3,622,460</u>	<u>3,622,460</u>
	6,346,328	6,353,180
Cash and cash equivalent accounts	48,868,772	48,868,513
U.S. government bonds and agency certificates	24,895,586	25,052,052
Accrued interest and other	<u>15,753</u>	<u>15,753</u>
Total funds invested	<u>\$ 80,126,439</u>	<u>\$ 80,289,498</u>
Consisting of:		
Special funds invested	\$ 6,346,328	
Current assets—funds invested	<u>73,780,111</u>	
	<u>\$ 80,126,439</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 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:

	<u>Year Ended September 30</u>		<u>From Inception to September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</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	54,000	56,180	11,620,644	11,566,644
Amortization of excess costs of bond refundings	118,326	123,103	15,779,771	15,661,445
Interest on revenue bonds	-	-	17,063,216	17,063,216
Expenses paid with bond proceeds	-	-	3,449,601	3,449,601
(Increase) decrease in fair value of funds invested	(62,143)	(8,955)	(55,291)	6,852
Deferred depreciation on plant	1,563,968	1,580,170	25,549,502	23,985,534
Other	-	-	2,695,345	2,695,345
	<u>1,674,151</u>	<u>1,750,498</u>	<u>232,202,787</u>	<u>230,528,637</u>
Bond resolution requirements included in billings to participants:				
Debt service	1,590,000	1,543,750	227,677,166	226,087,166
Increase in special funds deposits	1,000,000	2,000,000	43,958,594	42,958,594
Investment income not available for operating purposes	-	-	1,102,799	1,102,799
	<u>2,590,000</u>	<u>3,543,750</u>	<u>272,738,559</u>	<u>270,148,559</u>
	<u>\$ (915,849)</u>	<u>\$ (1,793,252)</u>	<u>\$ (40,535,772)</u>	<u>\$ (39,619,922)</u>

## 7. LONG-TERM DEBT

Long-term debt as of September 30, 2019, consists of the following serial bonds:

Maturity September 1	2013 Bonds Effective Interest Rate	Amount
2020	2.25	1,645,000
2021	3.00	1,685,000
2022	3.00	1,735,000
2023	3.13	1,785,000
2024	3.38	1,840,000
2025	3.50	1,905,000
2026	3.63	1,970,000
2027	4.00	2,040,000
2028	4.00	2,125,000
2029	4.13	2,210,000
2030	4.25	2,300,000
2031	4.30	2,400,000
2032	4.38	2,500,000
2033	4.50	2,610,000
2034		28,750,000
		1,645,000
Less current maturities		68,717
Less unamortized bond discount		<u>\$ 27,036,283</u>

Interest on all of the bond issues is payable semiannually.

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. The Resolution requires that reserve deposits be maintained in the debt service fund equal to 10% of the principal amount of a bond series outstanding or the highest annual debt service payment required under a series, calculated with respect to each series as of the date of issuance. The Resolution contains certain restrictive financial and operational covenants. At September 30, 2019, the Authority was in compliance with its debt covenants. The carrying value and fair values of the 2013 Bonds for 2019 and 2018 are summarized in the table below. Fair value of the bonds is estimated based on quoted market prices.

	<u>September 30, 2019</u>		<u>September 30, 2018</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Series 2013 Bonds	<u>\$ 28,750,000</u>	<u>\$ 29,692,375</u>	<u>\$ 30,335,000</u>	<u>\$ 31,060,160</u>

On October 17, 2013, the Authority's Board authorized the issuance of the 2013 A Bonds. This bond issue was made for the purpose of refunding and retiring the 2003 Bonds. On November 6, 2013, the 2003 Bonds were called with a premium equal to 1% of the principal and the 2013 Bonds were issued in the aggregate principal amount of \$37,590,000 and have a final maturity date of September 1, 2033.

On January 24, 2020, the Authority's Board authorized the issuance of its Taxable Power Supply System Revenue Refunding Series 2020A Bonds, the proceeds of which a portion thereof will be used to advance refund the Authority's Refunding Power Supply Revenue Series 2013A. The bonds closed on February 18, 2020 with total of \$26,965,000 bearing interest at 2.91% with maturities through 2040.

## **8. RETIREMENT PLAN**

### **General Information about the Pension Plan**

**Plan description.** The Employees' Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the Code of Alabama 1975, Title 36, Chapter 27 (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The Code of Alabama 1975, Title 36, Chapter 27 grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://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 § 36-27-6.

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

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

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

As of September 30, 2018, the Authority's membership in the Plan consisted of:

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

**Contributions**—Participation in the Plan is mandatory for all Authority employees. Employees are classified as either Tier I, those processed in the RSA before January 1, 2013, or Tier II, those processed on or after January 1, 2013. The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the preretirement death benefit, and administrative expenses of the Plan. For the years ended September 30, 2019 and 2018, the employee and the

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

Contributor	September 30, 2019		September 30, 2018	
	Tier 1	Tier 2	Tier 1	Tier 2
Employee	5.00 %	6.00 %	5.00 %	6.00 %
The Authority	9.86	7.39	9.30	7.21

**Net Pension Liability**—The Authority’s net pension liability was measured as of September 30, 2018, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2017, rolled forward to September 30, 2018, using standard roll-forward techniques as shown in the following table:

	Expected	Actual	Actual
(a) TPL as of September 30, 2017	\$ 6,483,163	\$ 6,478,160	6,508,125
(b) Discount rate	7.75%	7.75%	7.70%
(c) Entry age normal cost for the period October 1, 2017–September 30, 2018	164,473	164,473	165,861
(d) Transfers Among Employers:	0	0	0
(e) Actual Benefit Payments and Refunds for the period October 1, 2017–September 30, 2018	<u>(253,654)</u>	<u>(253,654)</u>	<u>(253,654)</u>
(f) TPL as of September 30, 2018 =[(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	<u>\$ 6,886,598</u>	<u>\$ 6,881,207</u>	<u>\$ 6,911,692</u>
(g) Difference between Expected and Actual Experience (Gain) Loss		\$ (5,391)	
(h) Less Liability Transferred for Immediate Recognition:		0	
(i) Experience (Gain)/Loss = (g) - (h)		(5,391)	
(j) Difference between Actual at 7.70% and Actual at 7.75% [Assumption Change (Gain)/Loss =			30,485

**Actuarial Assumptions**— The total pension liability as of September 30, 2018 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

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

\* Net of pension plan investment expense.

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

The actuarial assumptions used in the actuarial valuation as of September 30, 2017, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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

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

\* Includes assumed rate of inflation of 2.50%.

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance—September 30, 2017	\$ 6,483,163	\$ 4,163,366	\$ 2,319,797
Changes for the year:			
Service cost	164,473	-	164,473
Interest	492,616	-	492,616
Changes of assumptions	30,485	-	30,485
Difference between expected and actual experience	(5,391)	-	(5,391)
Contributions—employer	-	150,833	(150,833)
Contributions—employee	-	90,670	(90,670)
Net investment income	-	384,746	(384,746)
Benefit payments, including refunds of employee contributions	(253,654)	(253,654)	-
Administrative expense	-	-	-
Transfers among employers	-	-	-
Net changes	<u>428,529</u>	<u>372,595</u>	<u>55,934</u>
Balance—September 30, 2018	<u>\$ 6,911,692</u>	<u>\$ 4,535,961</u>	<u>\$ 2,375,731</u>

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

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Plan's net pension liability	<u>\$ 3,037,957</u>	<u>\$ 2,375,731</u>	<u>\$ 1,814,673</u>

**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, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditor's report dated August 17, 2019 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, 2019, was \$166,441.

## **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, 2019 and 2018, the Authority's costs to Sylacauga were \$1,903,806 and \$1,004,743, respectively, under the provisions of this agreement.

## **10. SUBSEQUENT EVENTS**

The Authority has evaluated all events or transactions that occurred after September 30, 2019, through the date the accompanying financial statements were available to be issued, February 20, 2019. All subsequent events have been disclosed within previous notes.

## REQUIRED SUPPLEMENTARY INFORMATION

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

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

\*The amount of employer contributions related to normal and accrued liability components of employer rate net any refunds or error service payments.

The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statement

\*\*Employer's covered payroll for FY 2019 is the total covered payroll for the 12 month period of the underlying financial statement.

**Notes to Schedule**

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2019 were based on the September 30, 2016 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2017 to September 30, 2018\*:

Actuarial cost method Entry Age

Amortization method Level percent closed

Remaining amortization period 29.5 years

Asset valuation method Five year smoothed market

Inflation 2.875%

Salary increases 3.375 – 5.125%, including inflation

Investment rate of return 7.875%, net of pension plan investment expense, including inflation

\*If the employer's financial reporting period end is other than September 30, 2019, additional assumptions should be reported for the basis of determining the portion of the contribution prior to or subsequent to this period. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

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

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

**ADDITIONAL INFORMATION FOR THE YEARS ENDED  
SEPTEMBER 30, 2019 AND 2018**

# ALABAMA MUNICIPAL ELECTRIC AUTHORITY

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

	Funds Invested September 30, 2018	Power Billing Receipts	Income from Other Electricity Sales	Other Income	Investment Income	Disbursements	Transfers	Funds Invested September 30, 2019
DEBT SERVICE FUND:								
Debt service account	\$ 227,460	\$	\$	\$	\$ 22,841	\$ (2,729,519)	\$ 2,706,395	\$ 227,177
Debt service reserve account	<u>2,723,868</u>				<u>81,815</u>		<u>(19,672)</u>	<u>2,786,011</u>
	<u>2,951,328</u>				<u>104,656</u>	<u>(2,729,519)</u>	<u>2,686,722</u>	<u>3,013,188</u>
GENERAL RESERVE FUND								
	<u>-</u>							
RESERVE AND CONTINGENCY FUND								
	<u>3,395,000</u>				<u>87,006</u>		<u>1,517,994</u>	<u>5,000,000</u>
REVENUE FUND:								
Revenue account	15,753	216,244,695	188,400	1,408,877	460,801		(218,259,802)	58,725
Rate stabilization account	<u>43,000,000</u>						<u>1,000,000</u>	<u>44,000,000</u>
	<u>43,015,753</u>	<u>216,244,695</u>	<u>188,400</u>	<u>1,408,877</u>	<u>460,801</u>		<u>(217,259,802)</u>	<u>44,058,725</u>
OPERATION AND MAINTENANCE FUND:								
Operation and maintenance account	-					(211,924,493)	211,924,493	(0)
Working capital account	<u>30,764,358</u>				<u>831,051</u>		<u>1,130,592</u>	<u>32,726,001</u>
	<u>30,764,358</u>				<u>831,051</u>	<u>(211,924,493)</u>	<u>213,055,085</u>	<u>32,726,001</u>
	<u>\$ 80,126,439</u>	<u>\$ 216,244,695</u>	<u>\$ 188,400</u>	<u>\$ 1,408,877</u>	<u>\$ 1,483,515</u>	<u>\$ (214,654,012)</u>	<u>\$ (1)</u>	<u>\$ 84,797,913</u>

# ALABAMA MUNICIPAL ELECTRIC AUTHORITY

## STATEMENT OF CHANGES IN ASSETS OF FUNDS INVESTED FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Funds Invested September 30, 2017	Power Billing Receipts	Income from Other Electricity Sales	Other Income	Investment Income	Disbursements	Transfers	Funds Invested September 30, 2018
DEBT SERVICE FUND:								
Debt service account	\$ 227,560	\$	\$	\$	\$ 14,225	\$ (2,730,719)	\$ 2,716,393	\$ 227,460
Debt service reserve account	<u>2,714,912</u>				<u>41,723</u>		<u>(32,767)</u>	<u>2,723,868</u>
	<u>2,942,472</u>				<u>55,948</u>	<u>(2,730,719)</u>	<u>2,683,626</u>	<u>2,951,328</u>
GENERAL RESERVE FUND								
	<u>-</u>							
RESERVE AND CONTINGENCY FUND								
	<u>2,795,000</u>				<u>34,275</u>		<u>565,725</u>	<u>3,395,000</u>
REVENUE FUND:								
Revenue account	12,432	216,078,675	199,171	840,361	(107,222)		(217,007,663)	15,753
Rate stabilization account	<u>41,000,000</u>						<u>2,000,000</u>	<u>43,000,000</u>
	<u>41,012,432</u>	<u>216,078,675</u>	<u>199,171</u>	<u>840,361</u>	<u>(107,222)</u>		<u>(215,007,663)</u>	<u>43,015,753</u>
OPERATION AND MAINTENANCE FUND:								
Operation and maintenance account	-					(212,289,027)	212,289,027	
Working capital account	<u>30,947,143</u>				<u>347,930</u>		<u>(530,715)</u>	<u>30,764,358</u>
	<u>30,947,143</u>				<u>347,930</u>	<u>(212,289,027)</u>	<u>211,758,312</u>	<u>30,764,358</u>
	<u>\$ 77,697,047</u>	<u>\$ 216,078,675</u>	<u>\$ 199,171</u>	<u>\$ 840,361</u>	<u>\$ 330,931</u>	<u>\$ (215,019,746)</u>	<u>\$</u>	<u>\$ 80,126,439</u>

# ALABAMA MUNICIPAL ELECTRIC AUTHORITY

## SCHEDULES OF REVENUES AND EXPENSES PER BOND RESOLUTION FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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	2019	2018
REVENUES:		
Sales of electricity to participating members	\$ 207,325,076	\$ 217,891,755
Sales of electricity—other	144,977	226,974
Investment revenues available for operations	2,015,810	514,982
Other income	<u>135,871</u>	<u>270,876</u>
Total revenues	<u>209,621,734</u>	<u>218,904,587</u>
EXPENSES:		
Partial requirements services:		
Purchased power	175,976,288	185,798,572
Transmission and distribution	18,279,866	18,067,696
Other operating and maintenance expenses	1,469,625	1,566,044
Administrative and general expenses	7,829,080	6,651,736
Deposit to rate stabilization	1,000,000	2,000,000
Debt service	<u>2,729,235</u>	<u>2,730,619</u>
Total expenses	<u>207,284,094</u>	<u>216,814,667</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 2,337,640</u>	<u>\$ 2,089,920</u>