

**MUNICIPAL UTILITIES BOARD
OF THE CITY OF ALBERTVILLE
WASTE WATER SYSTEM
Albertville, Alabama**

**AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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LORI CRISWELL & ASSOCIATES, P.C.

SNEAD, ALABAMA 35952

Lori Criswell
Certified Public Accountant
87505 U.S. Highway 278
P.O. Box 606
Snead, Alabama 35952
PHONE: (205) 466-7157
FAX: (205) 466-8144
email: criswell.cpa@gmail.com

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OF CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Municipal Utilities Board of the City of Albertville – Waste Water System
Albertville, Alabama

Opinions

We have audited the accompanying financial statements of the business-type activities of the Municipal Utilities Board of the City of Albertville – Waste Water System as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Municipal Utilities Board of the City of Albertville – Waste Water System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Municipal Utilities Board of the City of Albertville – Waste Water System as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Municipal Utilities Board of the City of Albertville – Waste Water System, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Municipal Utilities Board of the City of Albertville – Waste Water System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipal Utilities Board of the City of Albertville – Waste Water System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Municipal Utilities Board of the City of Albertville – Waste Water System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the pension and post-employment benefit schedules on pages 48 through 50 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipal Utilities Board of the City of Albertville – Waste Water System’s basic financial statements. The schedules of operating expense are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of operating expense are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statistical sections but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Municipal Utilities Board of the City of Albertville – Waste Water System, are intended to present the financial position, the changes in financial position and cash flows of only that portion of the business-type activities attributable to the transactions of the Waste Water System. They do not purport to, and do not present fairly the financial position of the Municipal Utilities Board of the City of Albertville, as a whole, as of June 30, 2022 and 2021, the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Lori Criswell & Associates, P.C.

Snead, Alabama
October 21, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The MD&A represents management's examination and analysis of the Waste Water System's financial condition and performance for the years ending June 30, 2022 and 2021. This information should be read in conjunction with the financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. These financial statements report information about the Waste Water System using full accrual accounting methods.

The Municipal Utilities Board (MUB) was reorganized and incorporated on May 15, 2013, under Article 9, Chapter 50; Title 11 (Sections 11-50-310 et seq.) of the Code of Alabama (1975). Prior to May, 2013, MUB operated within the confines of an Act of the Alabama Legislature passed in 1943. While operating under the 1943 Act, MUB was organized as an entity of the City of Albertville and the City had to issue all debt for MUB. The new form of organization allows MUB to issue its own debt. The three-member Board of Directors of MUB (appointed by the City Council of Albertville) was given complete control of the public utilities in the City of Albertville. In addition to the Waste Water System, the Board also governs the Electric and Water Systems of the City.

Even though MUB is a municipal entity, the financial statements are presented more similar to a private business entity because a majority of the revenues in the Electric, Water and Waste Water Systems are generated from user fees, not any type of public tax. The Governmental Accounting Standards Board requires that these types of municipal entities follow accounting procedures more similar to those of private business. However, the mission of the Board is not to be a profitable entity, unlike a private system, but is to be able to finance all or most of its activities through user fees and reinvest assets in improving and maintaining the system.

The financial statements include a statement of net position; a statement of revenues, expenses and changes in net position; a statement of cash flows; and notes to the financial statements.

The statement of net position presents the financial position of the Waste Water System and all its assets and liabilities, with the difference reported as net position. Over time, increases or decreases in the System's net position are one indicator of whether the System's financial position is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents the results of the System's activities over the course of the fiscal year. This statement also provides information about the System's recovery of costs. Rate setting policies vary, however, the primary objective of any rate model is to improve equity among customer classes and ensure that capital costs are allocated on the basis of long-term capacity needs, ensuring that growth pays for growth.

The statement of cash flows presents changes in cash and cash equivalents, resulting from operations, financing and investing activities. This statement presents cash inflows and cash outflows for the fiscal year.

The notes to the financial statements provide required disclosures and other information vital to obtaining a full understanding of the System's financial statements. The notes present information about the System's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. Supplementary information, providing additional financial detail, is also provided.

The financial statements were prepared by the Board's accounting staff from the detailed books and records of the System. The financial statements were then audited and adjusted, if necessary, during the independent external audit process.

Financial Analysis

The following comparative condensed financial statements serve as the key financial data and indicators for management, monitoring and planning. The financial statements are studied in depth to detect trends, project growth and prepare budgets for the upcoming year.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - WASTE WATER SYSTEM

Condensed Financial Statements

Fiscal Year Ending June 30, 2022

| Condensed Statements of Net Position | 2022 | 2021 | Variance | |
|---|---------------------|---------------------|----------------------|---------------|
| | | | Dollars | Percent |
| Utility Plant | \$85,848,574 | \$83,297,629 | \$2,550,945 | 3.06% |
| Less Accumulated Depreciation | (\$49,567,399) | (\$46,892,563) | (\$2,674,836) | 5.70% |
| Utility Plant Net of Depreciation | \$36,281,175 | \$36,405,066 | (\$123,891) | -0.34% |
| Restricted Assets | \$2 | \$3 | (\$1) | -33.33% |
| Current Assets & Other Assets | \$8,902,981 | \$9,900,265 | (\$997,284) | -10.07% |
| Deferred Outflows of Resources | \$1,748,567 | \$1,638,192 | \$110,375 | 6.74% |
| Total Assets and Deferred Outflows | \$46,932,725 | \$47,943,526 | (\$1,010,801) | -2.11% |
| Current Liabilities | \$1,625,398 | \$1,534,793 | \$90,605 | 5.90% |
| Long Term Liabilities | \$14,965,449 | \$16,011,783 | (\$1,046,334) | -6.53% |
| Deferred Inflows of Resources | \$600,987 | \$118,272 | \$482,715 | 408.14% |
| Total Liabilities and Deferred Inflows | \$17,191,834 | \$17,664,848 | (\$473,014) | -2.68% |
| Net Position: | | | | |
| Net Investment in Capital Assets | \$25,130,599 | \$24,416,043 | \$714,556 | 2.93% |
| Restricted for Debt Service | \$2 | \$3 | (\$1) | -33.33% |
| Unrestricted | \$4,610,290 | \$5,862,632 | (\$1,252,342) | -21.36% |
| Total Net Position | \$29,740,891 | \$30,278,678 | (\$537,787) | -1.78% |
| Total Liabilities and Net Position | \$46,932,725 | \$47,943,526 | (\$1,010,801) | -2.11% |

Condensed Statements of Revenues, Expenses, and Changes in Net Position

| | 2022 | | 2021 | Variance of 2022 Actual Data To: | | | |
|--|--------------------|--------------------|--------------------|----------------------------------|----------------|---------------------|----------------|
| | Actual | Budget | Actual | 2022 Budget Dollars | Percent | 2021 Actual Dollars | Percent |
| Revenues: | | | | | | | |
| Waste Water Sales Revenue | \$7,869,469 | \$7,650,000 | \$7,634,898 | \$219,469 | 2.87% | \$234,571 | 3.07% |
| Other Revenue | \$575,739 | \$615,000 | \$633,225 | (\$39,261) | -6.38% | (\$57,486) | -9.08% |
| Total Operating Revenue | \$8,445,208 | \$8,265,000 | \$8,268,123 | \$180,208 | 2.18% | \$177,085 | 2.14% |
| Expenses: | | | | | | | |
| Operating Expense | \$8,666,879 | \$8,785,000 | \$8,674,132 | (\$118,121) | -1.34% | (\$7,253) | -0.08% |
| Operating Income (Loss) | (\$221,671) | (\$520,000) | (\$406,009) | \$298,329 | -57.37% | \$184,338 | -45.40% |
| Non-Operating Income and Expense-Net | (\$316,116) | (\$315,000) | (\$322,221) | (\$1,116) | -0.35% | \$6,105 | 1.89% |
| Increase (Decrease) in Net Position | (\$537,787) | (\$835,000) | (\$728,230) | \$297,213 | -35.59% | \$190,443 | -26.15% |

Financial Analysis

The following comparative condensed financial statements serve as the key financial data and indicators for management, monitoring and planning. The financial statements are studied in depth to detect trends, project growth and prepare budgets for the upcoming year.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - WASTE WATER SYSTEM Condensed Financial Statements Fiscal Year Ending June 30, 2021

| Condensed Statements of Net Position | 2021 | 2020 | Variance | |
|---|---------------------|---------------------|----------------------|---------------|
| | | | Dollars | Percent |
| Utility Plant | \$83,297,629 | \$81,241,772 | \$2,055,857 | 2.53% |
| Less Accumulated Depreciation | (\$46,892,563) | (\$44,231,453) | (\$2,661,110) | 6.02% |
| Utility Plant Net of Depreciation | \$36,405,066 | \$37,010,319 | (\$605,253) | -1.64% |
| Restricted Assets | \$3 | \$24 | (\$21) | -87.50% |
| Current Assets & Other Assets | \$9,900,265 | \$10,493,305 | (\$593,040) | -5.65% |
| Deferred Outflows of Resources | \$1,638,192 | \$1,530,379 | \$107,813 | 7.04% |
| Total Assets and Deferred Outflows | \$47,943,526 | \$49,034,027 | (\$1,090,501) | -2.22% |
| Current Liabilities | \$1,534,793 | \$1,460,034 | \$74,759 | 5.12% |
| Long Term Liabilities | \$16,011,783 | \$16,488,694 | (\$476,911) | -2.89% |
| Deferred Inflows of Resources | \$118,272 | \$78,391 | \$39,881 | 50.87% |
| Total Liabilities | \$17,664,848 | \$18,027,119 | (\$362,271) | -2.01% |
| Net Position: | | | | |
| Net Investment in Capital Assets | \$24,416,043 | \$24,197,849 | \$218,194 | 0.90% |
| Restricted for Debt Service | \$3 | \$24 | (\$21) | -87.50% |
| Unrestricted | \$5,862,632 | \$6,809,035 | (\$946,403) | -13.90% |
| Total Net Position | \$30,278,678 | \$31,006,908 | (\$728,230) | -2.35% |
| Total Liabilities and Net Position | \$47,943,526 | \$49,034,027 | (\$1,090,501) | -2.22% |

Condensed Statements of Revenues, Expenses, and Changes in Net Position

| | 2021 | | 2020 | Variance of 2021 Actual Data To: | | | |
|--|--------------------|--------------------|--------------------|----------------------------------|---------------|------------------------|--------------|
| | Actual | Budget | Actual | 2021 Budget Dollars | Percent | 2020 Actual Dollars | Percent |
| Revenues: | | | | | | | |
| Waste Water Sales Revenue | \$7,634,898 | \$7,350,000 | \$7,213,105 | \$284,898 | 3.88% | \$421,793 | 5.85% |
| Other Revenue | \$633,225 | \$540,000 | \$562,802 | \$93,225 | 17.26% | \$70,423 | 12.51% |
| Total Operating Revenue | \$8,268,123 | \$7,890,000 | \$7,775,907 | \$378,123 | 4.79% | \$492,216 | 6.33% |
| Expenses: | | | | | | | |
| Operating Expense | \$8,674,132 | \$8,035,000 | \$8,068,131 | \$639,132 | 7.95% | \$606,001 | 7.51% |
| Operating Income | (\$406,009) | (\$145,000) | (\$292,224) | (\$261,009) | 180.01% | (\$113,785) | 38.94% |
| Non-Operating Income and Expense-Net | (\$322,221) | (\$345,000) | (\$423,982) | \$22,779 | 6.60% | \$101,761 | 24.00% |
| Income (Loss) Before Capital Contributions | (\$728,230) | (\$490,000) | (\$716,206) | (\$238,230) | -48.62% | (\$12,024) | -1.68% |
| Capital Contributions | \$0 | \$0 | \$40,372 | \$0 | n/a | (\$40,372) | 100.00% |
| Increase (Decrease) in Net Position | (\$728,230) | (\$490,000) | (\$675,834) | (\$238,230) | 48.62% | (\$52,396) | 7.75% |

FINANCIAL POSITION

Statement of Net Position

For the fiscal year ending June 30, 2022, total assets and deferred outflows decreased \$1,010,801. Net Waste Water Plant (assets less depreciation) decreased \$123,891 or .34% due to an increase in accumulated depreciation. Current and other assets decreased \$997,284 due to a decrease in cash and cash equivalents. Deferred Outflows of Resources increased \$110,375 due to adjustments related to the Net Pension Liability and OPEB Liability.

Total liabilities and deferred inflows decreased \$473,014 from last year, a 2.68% decrease. Total long-term liabilities decreased by \$1,046,334 due to principal payments on bonds and decreased Net Pension Liability and OPEB Liability. Total net position (total assets and deferred outflows less total liabilities and deferred inflows) of \$29,740,891 reflects a decrease of \$537,787 from last year. Of this amount, 85% or \$25,130,599 is invested in capital assets, and \$4,610,290 comprises the non-restricted portion of the net assets, or 15%.

For the fiscal year ending June 30, 2021, total assets and deferred outflows decreased \$1,090,501. Net Waste Water Plant (assets less depreciation) decreased \$605,253 or 1.64% due to an increase in accumulated depreciation. Current and other assets decreased \$593,040 due to a decrease in cash. Deferred Outflows of Resources increased \$107,813 due to adjustments related to the Net Pension Liability and OPEB Liability.

Total liabilities and deferred inflows decreased \$362,271, a 2.01% decrease. Total long-term liabilities decreased by \$476,911 due to principal payments. Total net position (total assets and deferred outflows less total liabilities and deferred inflows) of \$30,278,678 reflects a decrease of \$728,230. Of this amount, 81% or \$24,416,043 was invested in capital assets, and \$5,862,632 comprises the non-restricted portion of the net assets, or 19%.

Results of Operations

The Waste Water System's operating revenues derive from sales of waste water treatment services. Other revenue consists of forfeited discounts, industry surcharges, service fees, and collection charges.

The Waste Water System has three classes of sales: residential, commercial, and industrial. Total sales revenue increased \$234,571 for 2022 as follows:

| | | |
|--------------------------------|-----------|-----------------|
| Residential | \$44,007 | 2.24% Increase |
| Commercial | \$59,167 | 7.05% Increase |
| Industrial | \$130,529 | 2.70% Increase |
| Uncollectable Accounts (\$868) | | 27.80% Decrease |

Total operating expense decreased \$7,253 or .08% from last year. Waste Water treatment plant expense increased \$185,170 due to an increase in utility costs and payroll. Pump station expense increased \$30,257 mostly due to an increase in supplies charged to expense. Customer accounts expense increased \$7,063 due to increased payroll costs. Administrative and general expense decreased \$45,188 due to the recording of pension expense per GASB68 and recording of OPEB expense per GASB75. Waste Water line expense decreased \$72,305 due to a decrease in labor maintenance and supplies. Depreciation expense decreased \$112,250.

Total sales revenue increased \$421,793 for 2021 as follows:

| | | | |
|------------------------|-----------|-------|----------|
| Residential | \$24,637 | 1.26% | Increase |
| Commercial | \$68,492 | 8.89% | Increase |
| Industrial | \$328,433 | 7.29% | Increase |
| Uncollectable Accounts | (\$231) | 6.89% | Decrease |

Total operating expense increased \$606,001 or 7.5%. Waste Water treatment plant expense increased \$377,537 due to increased payroll, an increase in utilities due to heavy rainfall, maintenance on the biosolids dryer and an increase in sludge disposal. Waste Water line expense increased \$136,963 due to an increase in labor maintenance and supplies. Depreciation expense increased \$59,460. Pump station expense increased \$40,312 mostly due to an increase in labor maintenance. Customer accounts expense increased \$22,066 due to credit card processing fees. Administrative and general expense decreased \$30,337.

Capital Contributions

The Waste Water system occasionally receives funds from the City of Albertville, grantor agencies, developers and individuals for new construction. There were no capital contributions received in 2022 or 2021.

Capital Assets and Debt Administration

Total Waste Water Plant (before depreciation and retirements) increased \$2,058,238 for 2022. Pumping Stations increased \$658,063 due to the installation of a new pump station located at Drum Circle and capital repairs at George Wallace and Westside pump stations. Land adjacent to the Waste Water treatment plant was purchased in the amount of \$553,122. Structures and buildings increased \$430,736 due to capital upgrades and repairs at the Waste Water plant. Sewer mains increased \$188,266 due to main upgrades at Carlisle Street, South Broad Street and Motes Subdivision. Transportation increased \$77,760 due to the purchase of a service truck and capital repairs. 177 new services were installed at a cost of \$61,117 while \$42,915 was invested in machinery and equipment for a skid steer trailer, mole and capital repairs. Meters increased \$31,780 due to the purchase of 440 ERT's for the automated radio read meter system. \$8,281 was used for Waste Water's portion of a primary and secondary host server. Communication equipment increased \$6,198 due to the purchase of an underground line locator.

During the fiscal year 2022, long term debt decreased by \$845,000 due to principal payments. Total long-term debt remaining at June 30, 2022 is \$11,195,000.

Total Waste Water Plant (before depreciation and retirements) increased \$2,223,345 for 2021. Structures and buildings increased \$784,573 due to capital upgrades and repairs at the Waste Water plant. Sewer mains increased \$560,837 due to main upgrades at Carlisle street. Transportation increased \$453,654 with the purchase of two new pickup trucks, two used pickup trucks from the electric department, a service truck and a vactor truck. Meters increased \$172,841 due to the purchase of meters, registers and ERT's for the automated radio read meter system. 35 new services were installed at a cost of \$69,308 while \$67,085 was invested in machinery and equipment for a mini excavator, a push camera and a mower. Pumping Stations increased \$58,506 due to capital repairs at 431 North, Broadway Estates and Arbor Acres pump stations. Communication equipment increased \$30,828 due to a new phone system and the purchase of an underground line locator. \$15,287 was used for Waste Water's portion of three payment kiosks and a camera server. Lab Equipment was purchased in the amount of \$10,426.

During the fiscal year 2021, long term debt decreased by \$830,000 due to principal payments. Total long-term debt remaining at June 30, 2021 was \$12,040,000.

Economic Factors and Next Year's Budget and Rates

The Capital Expenditures Budget for 2023 is \$10,865,900. These expenditures will include:

- \$8,117,000 – Structures – Treatment Plant additions and capital repairs
- \$1,000,000 – Main Upgrades – Miscellaneous upgrades
- \$924,000 – Pump Stations – Includes 1 new pump station and capital repairs
- \$349,900 – Service Laterals – includes 123 new services
- \$265,000 – Machinery & Equipment –Boring machine, skid steer, ATV, Softwash equipment system and capital repairs
- \$95,000 – Transportation Equipment – Pickup truck and capital repairs
- \$75,000 – Communication Equipment – Miscellaneous upgrades
- \$20,000 – General Plant Equipment – Lab - Miscellaneous
- \$10,000 – Office & Computer Equipment– Miscellaneous upgrades
- \$10,000 – Land Improvements - Miscellaneous

Final Comments

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

A Waste Water rate study was completed in 2022 which resulted in a three step rate per gallon increase. Phase 1 of this increase will be implemented in July, 2022. Phase 2 will be implemented in July, 2023 and the Phase 3 will be implemented in July, 2024. Additional review of rates may be needed to ensure that the Waste Water department has the funds necessary for operations and expansion.



Elden Chumley
General Manager/CEO
Municipal Utilities Board of Albertville



Theresa Bailey, CPA
Chief Financial Officer
Municipal Utilities Board of Albertville

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - WASTE WATER SYSTEM

STATEMENTS OF NET POSITION

JUNE 30, 2022 AND 2021

| | 2022 | 2021 |
|--|----------------------|----------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 6,612,411 | \$ 7,746,418 |
| Accounts Receivable | | |
| Related Party | 531,895 | 456,336 |
| Unbilled Revenue | 164,354 | 127,879 |
| Accrued Interest Receivable | - | 61 |
| Current Portion of Note Receivable - Water System | 142,305 | 139,615 |
| Material and Supplies | 419,739 | 254,166 |
| Prepaid Expenses | 16,157 | 14,978 |
| | <u>7,886,861</u> | <u>8,739,453</u> |
| NONCURRENT ASSETS | | |
| Restricted Assets | | |
| Cash and Cash Equivalents | <u>2</u> | <u>3</u> |
| Capital Assets | | |
| Land and Construction in Progress | 1,893,639 | 802,821 |
| Waste Water Plant in Service, Net of | | |
| Accumulated Depreciation | <u>34,387,536</u> | <u>35,602,245</u> |
| | <u>36,281,175</u> | <u>36,405,066</u> |
| Other Assets | | |
| Note Receivable - Water System, Net of Current Portion | 994,233 | 1,136,538 |
| Debt Issue Costs, Net of Accumulated Amortization of | | |
| \$5,969 for 2022 and \$3,582 for 2021 | <u>21,887</u> | <u>24,274</u> |
| | <u>1,016,120</u> | <u>1,160,812</u> |
| TOTAL ASSETS | <u>45,184,158</u> | <u>46,305,334</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | |
| Deferred Amount on Refunding, Net of Accumulated | | |
| Amortization of \$117,319 for 2022 and \$70,391 for 2021 | 414,525 | 461,453 |
| Proportionate Share of Collective Deferred Outflows | | |
| Related to Net Pension Liability | 812,518 | 684,844 |
| Deferred Outflows Related to Net | | |
| Other Post Employment Benefits Liability | <u>521,524</u> | <u>491,895</u> |
| | <u>1,748,567</u> | <u>1,638,192</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | <u>\$ 46,932,725</u> | <u>\$ 47,943,526</u> |

The accompanying Notes to Financial Statements are an integral part of these financial statements.

| | 2022 | 2021 |
|--|----------------------|----------------------|
| <u>LIABILITIES</u> | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 356,085 | \$ 326,495 |
| Accrued Wages and Compensated Absences | 272,425 | 225,026 |
| Other Current Liabilities | 9,083 | 9,130 |
| | <u>637,593</u> | <u>560,651</u> |
| CURRENT LIABILITIES, RESTRICTED | | |
| Current Maturities of Long-Term Debt | 865,000 | 845,000 |
| Accrued Interest Payable | 122,805 | 129,142 |
| | <u>987,805</u> | <u>974,142</u> |
| NONCURRENT LIABILITIES | | |
| Long-Term Debt, Net of Current Maturities | | |
| And (Discount) Premium | 10,700,101 | 11,605,476 |
| Net Pension Liability | 3,412,693 | 3,534,364 |
| Accrued Liability - Other Post Employment Benefits | 852,655 | 871,943 |
| | <u>14,965,449</u> | <u>16,011,783</u> |
| TOTAL LIABILITIES | <u>16,590,847</u> | <u>17,546,576</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | |
| Proportionate Share of Collective Deferred Inflows | | |
| Related to Net Pension Liability | 442,013 | - |
| Deferred Inflows Related to Net | | |
| Other Post Employment Benefits Liability | 158,974 | 118,272 |
| | <u>600,987</u> | <u>118,272</u> |
| <u>NET POSITION</u> | | |
| Net Investment in Capital Assets | 25,130,599 | 24,416,043 |
| Restricted for Debt Service | 2 | 3 |
| Unrestricted | 4,610,290 | 5,862,632 |
| | <u>29,740,891</u> | <u>30,278,678</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS | | |
| AND NET POSITION | <u>\$ 46,932,725</u> | <u>\$ 47,943,526</u> |

The accompanying Notes to Financial Statements are an integral part of these financial statements.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - WASTE WATER SYSTEM

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

| | 2022 | | 2021 | |
|-------------------------------------|---------------|------------------------------|---------------|------------------------------|
| | Amount | Percent of Operating Revenue | Amount | Percent of Operating Revenue |
| OPERATING REVENUE | | | | |
| Waste Water Revenue | | | | |
| Residential | \$ 2,010,066 | 23.80 % | \$ 1,966,059 | 23.78 % |
| Commercial | 898,954 | 10.64 | 839,787 | 10.16 |
| Industrial | 4,962,703 | 58.76 | 4,832,174 | 58.44 |
| Less Uncollectible Accounts | (2,254) | (0.03) | (3,122) | (0.04) |
| | 7,869,469 | 93.18 | 7,634,898 | 92.34 |
| Surcharges | 453,700 | 5.37 | 478,736 | 5.79 |
| Revenue From Forfeited Discounts | 26,347 | 0.31 | 14,534 | 0.18 |
| System Development Charges | 83,548 | 0.99 | 81,738 | 0.99 |
| Other Waste Water Revenue | 12,144 | 0.14 | 58,217 | 0.70 |
| | 8,445,208 | 100.00 | 8,268,123 | 100.00 |
| OPERATING EXPENSE | | | | |
| Operating Expense | | | | |
| Waste Water Treatment Plant Expense | 3,141,319 | 37.20 | 2,956,149 | 35.75 |
| Pumping Stations Expense | 768,230 | 9.10 | 737,973 | 8.93 |
| Waste Water Line Expense | 804,046 | 9.52 | 876,351 | 10.60 |
| Customer Accounting and Collections | 328,687 | 3.89 | 321,624 | 3.89 |
| Administrative and General | 1,118,831 | 13.25 | 1,164,019 | 14.08 |
| | 6,161,113 | 72.95 | 6,056,116 | 73.25 |
| Other Operating Expense | | | | |
| Provision for Depreciation | 2,505,766 | 29.67 | 2,618,016 | 31.66 |
| | 8,666,879 | 102.62 | 8,674,132 | 104.91 |
| OPERATING INCOME (LOSS) | (221,671) | (2.62) | (406,009) | (4.91) |
| NONOPERATING REVENUE (EXPENSE) | | | | |
| Interest Income | 25,817 | 0.31 | 36,778 | 0.44 |
| Interest Expense | (336,145) | (3.98) | (353,861) | (4.28) |
| Amortization of Debt Costs | (5,788) | (0.07) | (5,138) | (0.06) |
| | (316,116) | (3.74) | (322,221) | (3.90) |
| CHANGE IN NET POSITION | (537,787) | (6.37) % | (728,230) | (8.81) % |
| NET POSITION - Beginning | 30,278,678 | | 31,006,908 | |
| NET POSITION - Ending | \$ 29,740,891 | | \$ 30,278,678 | |

The accompanying Notes to Financial Statements are an integral part of these financial statements.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - WASTE WATER SYSTEM

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

| | 2022 | 2021 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from Customers | \$ 8,408,733 | \$ 8,280,727 |
| Payments to Suppliers | (4,038,749) | (3,965,390) |
| Payments to Employees | (1,917,517) | (1,756,821) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 2,452,467 | 2,558,516 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Principal Payments Received on Note Receivable - Water System | 139,615 | 136,976 |
| Interest Received on Note Receivable - Water System | 23,157 | 25,796 |
| NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES | 162,772 | 162,772 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and Construction of Capital Assets, Net | (2,595,934) | (2,192,815) |
| Customer Contributions and Grants in Aid of Construction | - | (40,372) |
| Proceeds from Disposal of Capital Assets | 28,296 | 67,570 |
| Trustee Fees Paid | (3,400) | (2,750) |
| Principal Paid on Long-Term Debt | (845,000) | (830,000) |
| Interest Paid on Long-Term Debt | (335,930) | (356,091) |
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES | (3,751,968) | (3,354,458) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest Received on Cash and Cash Equivalents | 2,721 | 14,360 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (1,134,008) | (618,810) |
| CASH AND CASH EQUIVALENTS - Beginning | 7,746,421 | 8,365,231 |
| CASH AND CASH EQUIVALENTS - Ending | \$ 6,612,413 | \$ 7,746,421 |

The accompanying Notes to Financial Statements are an integral part of these financial statements.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - WASTE WATER SYSTEM

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| Operating Income (Loss) | \$ (221,671) | \$ (406,009) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities: | | |
| Depreciation | 2,691,529 | 2,770,869 |
| Uncollectible Accounts | 2,254 | 3,122 |
| Changes in Assets and Liabilities: | | |
| (Increase) Decrease in Accounts Receivable | (38,729) | 9,482 |
| (Increase) Decrease in Material and Supplies | (165,573) | (15,948) |
| (Increase) Decrease in Prepaid Expenses | (1,179) | 728 |
| (Increase) Decrease in Related Party | (75,559) | (165,875) |
| Increase (Decrease) in Accounts Payable | 29,590 | 36,047 |
| Increase (Decrease) in Accrued Wages and Compensated Absences | 47,399 | 31,687 |
| (Increase) Decrease in Deferred Outflows of Resources - Net Pension Liability | (127,674) | (114,460) |
| Increase (Decrease) in Deferred Inflows of Resources - Net Pension Liability | 442,013 | - |
| Increase (Decrease) in Net Pension Liability | (121,671) | 385,634 |
| Increase (Decrease) in Deferred Outflows - Other Post Employment Benefits | (29,629) | (40,280) |
| Increase (Decrease) in Deferred Inflows - Other Post Employment Benefits | 40,702 | 39,881 |
| Increase (Decrease) in Accrued Liability - Other Post Employment Benefits | (19,288) | 22,829 |
| Increase (Decrease) in Other Current Liabilities | (47) | 809 |
| Total Adjustments | <u>2,674,138</u> | <u>2,964,525</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 2,452,467</u> | <u>\$ 2,558,516</u> |

The accompanying Notes to Financial Statements are an integral part of these financial statements.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE – WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The Municipal Utilities Board of the City of Albertville, Alabama (the Board) was reorganized and incorporated on May 15, 2013, under Article 9, Chapter 50, Title 11 (Sections 11-50-310 et seq.) of the Code of Alabama (1975). Prior to May 15, 2013, the Board operated within the confines of an Act of the Alabama Legislature passed in 1943. While operating under the 1943 Act, the Board was organized as an entity of the City of Albertville and the City had to issue all debt for the Board. The new form of organization allows the Board to issue its own debt. The objectives for which the Board was formed are to acquire, operate, maintain, improve, and extend an electric system, a water distribution system, and a sanitary sewer system within the City of Albertville and the territory within Marshall County. The Board is also authorized to own and operate a natural gas distribution system, but no such system presently exists. The Board uses enterprise fund accounting for the separate departments, electric, water, and waste water, and issues separate financial statements for each.

The financial statements present only the Municipal Utilities Board of the City of Albertville – Waste Water System (the Waste Water System) and do not purport to, and do not, present the financial position of the Municipal Utilities Board of the City of Albertville and the changes in its financial position or its cash flows.

The property and business of the Municipal Utilities Board of the City of Albertville is managed by a three member Board of Directors appointed by the Mayor and City Council of the City of Albertville. The members of the Board and management at June 30, 2022 were as follows:

Board of Directors

Paul McAbee, Chairman
Kasey Culbert, Member
Keith McGee, Member

Management

Elden Chumley, General Manager/CEO

NATURE OF BUSINESS

The Waste Water System provides waste water collection services to residents and businesses in the City of Albertville, Alabama area.

ACCOUNTING PRINCIPLES

The Waste Water System's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

BASIS OF PRESENTATION AND ACCOUNTING

The Waste Water System utilizes the accrual basis of accounting. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE – WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

RECOGNITION OF WASTE WATER REVENUE

Waste Water revenue is recognized when water is used by the ultimate consumer.

TAXES

The Waste Water System is not subject to federal and state income taxes, nor does the State of Alabama levy utility tax on waste water services.

INVENTORIES

Inventories of material and supplies are priced at the lower of average cost or net realizable value.

CASH EQUIVALENTS

The Waste Water System considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

ACCOUNTS RECEIVABLE

All services for electric, water, and waste water are billed and collected by the Municipal Utilities Board of the City of Albertville - Electric System, with revenues recognized by each department through an intercompany system of accounting. As of June 30, 2022 and 2021, the total receivables due from customers, as reflected in the Electric System financial statements, were \$7,479,124 and \$6,193,338, respectively. The Board uses the direct write-off method for uncollectible accounts. An allowance for doubtful accounts at June 30, 2022 and 2021 is not considered necessary.

CONCENTRATION OF CREDIT RISK

The Board grants credit to its customers, substantially all of who are located in the City of Albertville, Alabama.

AMORTIZATION

Debt issuance costs (prepaid insurance only), bond discounts or premiums, and deferred losses on refunding are amortized over the terms of the bonds using a method which approximates the effective interest method.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE – WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

UTILITY PLANT

Utility plant is stated at cost less accumulated depreciation. Depreciation is calculated on the composite-rate method. Retirements of units of property from service have been charged to the accumulated depreciation accounts at the original cost of the units plus cost of removal. Salvage value of the units retired is credited to the accumulated depreciation accounts. The costs of maintenance, repairs and replacing minor items are charged principally to expense as incurred. Depreciation rates are as follows:

Waste Water Plant:

| | |
|--------------------------|-------|
| Land and Land Rights | 0.00% |
| Land Improvements | 3.00 |
| Structures and Buildings | 3.00 |
| Machinery and Equipment | 15.00 |
| Radio Read Meters | 5.00 |
| Sewer Mains | 2.00 |
| Service Laterals | 2.00 |
| Pumping Stations | 7.00 |

General Plant:

| | |
|--------------------------------|-------|
| Furniture and Office Equipment | 10.00 |
| Transportation Equipment | 10.00 |
| Communication Equipment | 20.00 |
| General Plant Equipment | 8.00 |

NET POSITION

Net position is divided into three components:

Net Investment in Capital Assets – consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets increased by balances of deferred outflows of resources related to those assets.

Restricted – consists of external constraints placed on net position use imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – consists of all other net position that does not meet the definition of the above two components and is available for general use by the Waste Water System.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE – WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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 Annual Comprehensive Financial Report.

RECLASSIFICATIONS

Certain reclassifications were made in the prior year amounts to conform to the classifications used in the current year. These reclassifications had no effect on net position.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following amounts at June 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|---------------------------------|---------------------|---------------------|
| UNRESTRICTED | | |
| Checking Accounts | \$ 4,776,863 | \$ 5,911,640 |
| Investment Fund | <u>1,835,548</u> | <u>1,834,778</u> |
| | <u>6,612,411</u> | <u>7,746,418</u> |
| RESTRICTED | | |
| Debt Service Funds | <u>2</u> | <u>3</u> |
| TOTAL CASH AND CASH EQUIVALENTS | <u>\$ 6,612,413</u> | <u>\$ 7,746,421</u> |

The Municipal Utilities Board of the City of Albertville's deposits at year-end were held by financial institutions in the State of Alabama's Security of Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 3 - CAPITAL ASSETS

Information related to property, plant and equipment of the Waste Water System for the year ended June 30, 2022 was as follows:

| | Balance at June 30, 2021 | Increases | Decreases | Balance at June 30, 2022 |
|--|-----------------------------|------------|-----------|-----------------------------|
| <i>Capital assets not being depreciated:</i> | | | | |
| Distribution Plant: Land and Land Rights | \$ 565,046 | \$ 553,122 | \$ - | \$ 1,118,168 |
| Construction in Progress, Net Change | 237,775 | 537,696 | - | 775,471 |
| Total capital assets not being depreciated | 802,821 | 1,090,818 | - | 1,893,639 |
| <i>Capital assets being depreciated:</i> | | | | |
| Waste Water Plant in Service: | | | | |
| Land Improvements | 47,473 | - | - | 47,473 |
| Structures | 40,193,677 | 430,736 | - | 40,624,413 |
| Sewer Mains | 25,840,217 | 188,266 | - | 26,028,483 |
| Service Laterals | 1,117,089 | 61,117 | - | 1,178,206 |
| Radio Read Meters | 1,411,281 | 31,780 | - | 1,443,061 |
| Pumping Stations | 10,653,856 | 658,063 | 19,868 | 11,292,051 |
| Machinery and Equipment | 679,689 | 42,915 | - | 722,604 |
| Transportation Equipment | 1,850,688 | 77,760 | 25,121 | 1,903,327 |
| General Plant Equipment | 73,120 | - | - | 73,120 |
| Furniture and Office Equipment | 289,111 | 8,281 | - | 297,392 |
| Communication Equipment | 338,607 | 6,198 | - | 344,805 |
| Total capital assets being depreciated | 82,494,808 | 1,505,116 | 44,989 | 83,954,935 |

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

| | Balance at June 30, 2021 | Increases | Decreases | Balance at June 30, 2022 |
|---|-----------------------------|-------------|-----------|-----------------------------|
| <i>Less accumulated depreciation for:</i> | | | | |
| Land Improvements | \$ 16,071 | \$ 1,424 | \$ - | \$ 17,495 |
| Structures | 22,126,525 | 1,212,320 | - | 23,338,845 |
| Sewer Mains | 11,258,386 | 517,229 | - | 11,775,615 |
| Service Laterals | 315,787 | 22,557 | - | 338,344 |
| Radio Read Meters | 160,696 | 71,888 | - | 232,584 |
| Pumping Stations | 10,100,391 | 621,184 | 19,868 | 10,701,707 |
| Machinery and Equipment | 679,689 | 30,385 | - | 710,074 |
| Transportation Equipment | 1,560,267 | 185,763 | (3,175) | 1,749,205 |
| General Plant Equipment | 55,481 | 5,850 | - | 61,331 |
| Furniture and Office Equipment | 289,112 | 8,281 | - | 297,393 |
| Communication Equipment | 330,158 | 14,648 | - | 344,806 |
| Total accumulated depreciation | 46,892,563 | 2,691,529 | 16,693 | 49,567,399 |
| Total capital assets being depreciated, net | 35,602,245 | (1,186,413) | 28,296 | 34,387,536 |
| Net Book Value | \$ 36,405,066 | \$ (95,595) | \$ 28,296 | \$ 36,281,175 |

Depreciation expense for the year ended June 30, 2022 was charged to the following accounts:

| | |
|---------------------------------|---------------------|
| Depreciation Expense | \$ 2,505,766 |
| Transportation Expense Clearing | 185,763 |
| | <u>\$ 2,691,529</u> |

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Information related to property, plant and equipment of the Waste Water System for the year ended June 30, 2021 was as follows:

| | Balance at June 30, 2020 | Increases | Decreases | Balance at June 30, 2021 |
|--|-----------------------------|-----------|-----------|-----------------------------|
| <i>Capital assets not being depreciated:</i> | | | | |
| Distribution Plant: Land and Land Rights | \$ 565,396 | \$ - | \$ 350 | \$ 565,046 |
| Construction in Progress, Net Change | 227,936 | 9,839 | - | 237,775 |
| Total capital assets not being depreciated | 793,332 | 9,839 | 350 | 802,821 |
| <i>Capital assets being depreciated:</i> | | | | |
| Waste Water Plant in Service: | | | | |
| Land Improvements | 47,473 | - | - | 47,473 |
| Structures | 39,409,104 | 784,573 | - | 40,193,677 |
| Sewer Mains | 25,310,738 | 560,837 | 31,358 | 25,840,217 |
| Service Laterals | 1,047,781 | 69,308 | - | 1,117,089 |
| Radio Read Meters | 1,238,440 | 172,841 | - | 1,411,281 |
| Pumping Stations | 10,595,000 | 58,856 | - | 10,653,856 |
| Machinery and Equipment | 653,704 | 67,085 | 41,100 | 679,689 |
| Transportation Equipment | 1,501,903 | 453,654 | 104,869 | 1,850,688 |
| General Plant Equipment | 62,694 | 10,426 | - | 73,120 |
| Furniture and Office Equipment | 273,824 | 15,287 | - | 289,111 |
| Communication Equipment | 307,779 | 30,828 | - | 338,607 |
| Total capital assets being depreciated | 80,448,440 | 2,223,695 | 177,327 | 82,494,808 |

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

| | Balance at June 30, 2020 | Increases | Decreases | Balance at June 30, 2021 |
|---|-----------------------------|---------------------|------------------|-----------------------------|
| <i>Less accumulated depreciation for:</i> | | | | |
| Land Improvements | \$ 14,647 | \$ 1,424 | \$ - | \$ 16,071 |
| Structures | 20,938,759 | 1,187,766 | - | 22,126,525 |
| Sewer Mains | 10,778,928 | 510,817 | 31,359 | 11,258,386 |
| Service Laterals | 294,308 | 21,479 | - | 315,787 |
| Radio Read Meters | 128,826 | 31,870 | - | 160,696 |
| Pumping Stations | 9,358,222 | 742,169 | - | 10,100,391 |
| Machinery and Equipment | 631,937 | 79,283 | 31,531 | 679,689 |
| Transportation Equipment | 1,454,285 | 152,851 | 46,869 | 1,560,267 |
| General Plant Equipment | 50,326 | 5,155 | - | 55,481 |
| Furniture and Office Equipment | 273,436 | 15,676 | - | 289,112 |
| Communication Equipment | 307,779 | 22,379 | - | 330,158 |
| Total accumulated depreciation | <u>44,231,453</u> | <u>2,770,869</u> | <u>109,759</u> | <u>46,892,563</u> |
| Total capital assets being depreciated, net | <u>36,216,987</u> | <u>(547,174)</u> | <u>67,568</u> | <u>35,602,245</u> |
| Net Book Value | <u>\$ 37,010,319</u> | <u>\$ (537,335)</u> | <u>\$ 67,918</u> | <u>\$ 36,405,066</u> |

Depreciation expense for the year ended June 30, 2021 was charged to the following accounts:

| | |
|---------------------------------|---------------------|
| Depreciation Expense | \$ 2,618,016 |
| Transportation Expense Clearing | <u>152,853</u> |
| | <u>\$ 2,770,869</u> |

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE – WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 4 – NOTE RECEIVABLE – WATER SYSTEM

During the year ended June 30, 2020, the Municipal Utilities Board of the City of Albertville's Water System refinanced its Water Revenue Bonds, Series 2010-SRF, by borrowing \$1,480,643 from the Waste Water System with a note dated December 19, 2019. The note requires monthly payments of \$13,564.31 including interest of 1.91% and matures December 19, 2029.

Changes in the note receivable from the Water System for the year ended June 30, 2022 was as follows:

| | Balance at June 30, 2021 | Issues | Retirements | Balance at June 30, 2022 |
|--------------------------------|-----------------------------|--------|-------------|-----------------------------|
| Note Receivable – Water System | \$ 1,276,153 | \$ - | \$ 139,615 | \$ 1,136,538 |

Changes in the note receivable from the Water System for the year ended June 30, 2021 was as follows:

| | Balance at June 30, 2020 | Issues | Retirements | Balance at June 30, 2021 |
|--------------------------------|-----------------------------|--------|-------------|-----------------------------|
| Note Receivable – Water System | \$ 1,413,129 | \$ - | \$ 136,976 | \$ 1,276,153 |

Total principal and interest maturities of the note receivable for the years ended June 30 are as follows:

| | Principal | Interest | Total |
|-------------|---------------------|------------------|---------------------|
| 2023 | \$ 142,305 | \$ 20,467 | \$ 162,772 |
| 2024 | 145,047 | 17,725 | 162,772 |
| 2025 | 147,842 | 14,930 | 162,772 |
| 2026 | 150,690 | 12,082 | 162,772 |
| 2027 | 153,595 | 9,177 | 162,772 |
| 2028 - 2032 | 397,059 | 9,869 | 406,928 |
| | <u>\$ 1,136,538</u> | <u>\$ 84,250</u> | <u>\$ 1,220,788</u> |

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE – WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

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NOTE 5 - LONG-TERM DEBT

Long-term debt of the Waste Water System at June 30, 2022 and 2021 was as follows:

| | <u>2022</u> | <u>2021</u> |
|---|----------------------|----------------------|
| General Obligation Warrant, Series 2012-CWSRF-DL due annually on August 15 through 2033, with interest at 2.75% due semi-annually on February 15 and August 15, secured by waste water revenues | \$ 3,695,000 | \$ 3,950,000 |
| Sewer Revenue Bonds, Series 2013B-CWSRF-DL due annually on August 15 through 2034, with interest at 2.45% due semi-annually on February 15 and August 15, secured by waste water revenues | 2,435,000 | 2,590,000 |
| Sewer Revenue Bonds, Series 2019-A due annually on August 15 through 2031, with interest from 1.4% to 4% due semi-annually on February 15 and August 15, secured by waste water revenues | <u>5,065,000</u> | <u>5,500,000</u> |
| | 11,195,000 | 12,040,000 |
| Less Current Maturities | <u>865,000</u> | <u>845,000</u> |
| | 10,330,000 | 11,195,000 |
| Bond Premium (Discount) | <u>370,101</u> | <u>410,476</u> |
| | <u>\$ 10,700,101</u> | <u>\$ 11,605,476</u> |

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE – WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

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Changes in long-term debt of the Waste Water System for the year ended June 30, 2022 was as follows:

| | Balance at June 30, 2021 | Issues | Retirements | Balance at June 30, 2022 |
|--|-----------------------------|-------------|-------------------|-----------------------------|
| General Obligation Warrants, Series 2012-CWSRF-DL | \$ 3,950,000 | \$ - | \$ 255,000 | \$ 3,695,000 |
| Sewer Revenue Bonds, Series 2013-CWSRF-DL | 2,590,000 | - | 155,000 | 2,435,000 |
| Sewer Revenue Bonds, Series 2019-A | <u>5,500,000</u> | <u>-</u> | <u>435,000</u> | <u>5,065,000</u> |
| | <u>\$ 12,040,000</u> | <u>\$ -</u> | <u>\$ 845,000</u> | <u>\$ 11,195,000</u> |

Changes in long-term debt of the Waste Water System for the year ended June 30, 2021 was as follows:

| | Balance at June 30, 2020 | Issues | Retirements | Balance at June 30, 2021 |
|--|-----------------------------|-------------|-------------------|-----------------------------|
| General Obligation Warrants, Series 2012-CWSRF-DL | \$ 4,200,000 | \$ - | \$ 250,000 | \$ 3,950,000 |
| Sewer Revenue Bonds, Series 2013-CWSRF-DL | 2,745,000 | - | 155,000 | 2,590,000 |
| Sewer Revenue Bonds, Series 2019-A | <u>5,925,000</u> | <u>-</u> | <u>425,000</u> | <u>5,500,000</u> |
| | <u>\$ 12,870,000</u> | <u>\$ -</u> | <u>\$ 830,000</u> | <u>\$ 12,040,000</u> |

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE – WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Total principal and interest maturities of long-term debt for the years ended June 30 are as follows:

| | Principal | Interest | Total |
|-------------|----------------------|---------------------|----------------------|
| 2023 | \$ 865,000 | \$ 318,796 | \$ 1,183,796 |
| 2024 | 885,000 | 297,628 | 1,182,628 |
| 2025 | 910,000 | 272,312 | 1,182,312 |
| 2026 | 935,000 | 246,292 | 1,181,292 |
| 2027 | 970,000 | 216,943 | 1,186,943 |
| 2028 – 2032 | 5,300,000 | 599,801 | 5,899,801 |
| 2033 – 2037 | 1,330,000 | 42,785 | 1,372,785 |
| | <u>\$ 11,195,000</u> | <u>\$ 1,994,557</u> | <u>\$ 13,189,557</u> |

For the years ended June 30, 2022 and 2021, interest expense recognized on the revenue bonds and notes was \$336,145 and \$353,861, respectively. These amounts include amortization of the deferred amount on refunding of \$46,927 for each of the years ended June 30, 2022 and 2021, and amortization of the bond discount/(premium) of (\$40,375) for each of the years ended June 30, 2022 and 2021. Amortization of debt costs \$2,388 for each of the years ended June 30, 2022 and 2021, are included separately in the income statement.

The Waste Water System must meet certain loan covenants in connection with its long-term debt. Management is not aware of any violations of these covenants at June 30, 2022.

NOTE 8 - PENSION PLAN

The Municipal Utilities Board of the City of Albertville (the Board) contributes to the Employees' Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement system, which acts as a common investment and administrative agent for the various state agencies and departments.

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 15 trustees. Act 390 of the Legislature of 2021 created two additional representatives to the ERS Board of Control Effective October 1, 2021. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE – WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

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The ERS Board of Control consists of 15 trustees as follows:

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

Benefits Provided

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

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

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE – WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

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years) for each year of service up to 80% of their average final compensation. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

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

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

Act 316 of the Legislature of 2019 allows employees at the time of retirement to receive a partial lump sum (PLOP) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of partial lump sum distribution selected.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE – WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

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The ERS serves approximately 879 local participating employers. The ERS membership includes approximately 104,510 participants. As of September 30, 2021, membership consisted of:

| | |
|---|----------------|
| Retirees and beneficiaries currently receiving benefits | 29,727 |
| Terminated employees entitled to but not yet receiving benefits | 2,130 |
| Terminated employees not entitled to a benefit | 16,415 |
| Active members | 56,184 |
| Post-DROP participants still in active service | <u>54</u> |
| Total | <u>104,510</u> |

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation.

Employers participating in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676 Tier 1 regular members' contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 certified law enforcement, correctional officers', and firefighters' member contribution rates increased from 6% to 8.5% of earnable compensation.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE – WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

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retirement death benefit and administrative expenses of the Plan. For the years ended June 30, 2022 and 2021, the Board's active employee contribution rate was 5% for Tier 1 employees, and 7.5%, for Tier 2 employees of covered employee payroll, and the Board's average contribution rate to fund the normal and accrued liability costs was 14.74% for 2022 and 14.49% for 2021 of pensionable employee payroll.

The Board's contractually required contribution rate for the year ended June 30, 2022 was 15.06% of pensionable pay for Tier 1 employees, and 12.26% of pensionable pay for Tier 2 employees. The Board's contractually required contribution rate for the year ended June 30, 2021 was 14.89% of pensionable pay for Tier 1 employees, and 12.16% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuations as of September 30, 2018 and 2017, respectively, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$1,068,035 and \$998,245 for the years ended June 30, 2022 and 2021, respectively.

The components of the Board's contributions for the year ended June 30, 2022 were as follows:

| | <u>Electric</u> | <u>Water</u> | <u>Waste Water</u> | <u>Total</u> |
|------------------------|-------------------|-------------------|--------------------|---------------------|
| Employee Contributions | \$ 183,508 | \$ 105,956 | \$ 115,483 | \$ 404,947 |
| Employer Contributions | <u>493,154</u> | <u>287,260</u> | <u>287,621</u> | <u>1,068,035</u> |
| | <u>\$ 676,662</u> | <u>\$ 393,216</u> | <u>\$ 403,104</u> | <u>\$ 1,472,982</u> |

The components of the Board's contributions for the year ended June 30, 2021 were as follows:

| | <u>Electric</u> | <u>Water</u> | <u>Waste Water</u> | <u>Total</u> |
|------------------------|-------------------|-------------------|--------------------|---------------------|
| Employee Contributions | \$ 167,732 | \$ 98,765 | \$ 107,511 | \$ 374,008 |
| Employer Contributions | <u>458,743</u> | <u>269,252</u> | <u>270,250</u> | <u>998,245</u> |
| | <u>\$ 626,475</u> | <u>\$ 368,017</u> | <u>\$ 377,761</u> | <u>\$ 1,372,253</u> |

Employer contribution amounts include active employees and cost of living adjustments approved by the Board for retired employees.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE – WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Net Pension Liability

The Board's net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020 rolled forward to September 30, 2021 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> | <u>Actual After 2020 Experience Study</u> |
|--|----------------------|---------------------------------------|--------------------------------------|---|
| (a) Total Pension Liability as of September 30, 2020 | \$ 32,560,184 | \$ 33,307,288 | \$ 33,307,288 | \$ 34,115,686 |
| (b) Discount Rate | 7.70% | 7.70% | 7.70% | 7.45% |
| (c) Entry Age Normal Cost for the Period October 1, 2020 – September 30, 2021 | 496,795 | 496,795 | 496,795 | 562,152 |
| (d) Transfers Among Employers: | 0 | 0 | 0 | 0 |
| (e) Actual Benefit Payments and Refunds for the Period October 1, 2020 – September 30, 2021 | <u>(1,749,755)</u> | <u>(1,749,755)</u> | <u>(1,749,755)</u> | <u>(1,749,755)</u> |
| (f) Total Pension Liability as of September 30, 2021 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1+.05*(b))] | <u>\$ 33,746,993</u> | <u>\$ 34,551,623</u> | <u>\$ 34,551,623</u> | <u>\$ 35,404,523</u> |
| (g) Difference between Expected and Actual: | | \$ 804,630 | | |
| (h) Less Liability Transferred for Immediate Recognition: | | \$ 0 | | |
| (i) Difference between Expected and Actual – Experience (Gain)/Loss | | \$ 804,630 | | |
| (j) Difference between Actual Total Pension Liability Before and After Act 2019-132 – Benefit Change (Gain)/Loss | | | \$ 0 | |
| (j) Difference between Actual Total Pension Liability Before and After 2020 Experience Study – Assumption Change (Gain)/Loss | | | | \$ 852,900 |

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE – WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Actuarial Assumptions

The total pension liability as of September 30, 2021, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2020. The key actuarial assumptions are summarized below:

| | |
|----------------------------|---|
| Inflation | 2.50% |
| Projected Salary increases | 3.25% - 6.00% for State and Local Employees and 4.00% - 7.75 for State Police, including inflation |
| Investment rate of return* | 7.45%, including inflation |

*Net of pension plan investment expense

Mortality rates were based on the Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019:

| <u>Group</u> | <u>Membership Table</u> | <u>Set Forward (+)/ Setback (-)</u> | <u>Adjustment to Rates</u> |
|---------------------------------------|---------------------------------------|-------------------------------------|---|
| Non-FLC Service Retirees | General Healthy Below Median | Male: +2, Female: +2 | Male: 90% ages < 65, 96% ages >= 65, Female: 96% all ages |
| FLC/State Police Service Retirees | Public Safety Healthy Below Median | Male: +1, Female: none | None |
| Beneficiaries | Contingent Survivor Below Median | Male: +2, Female: +2 | None |
| Non-FLC Disabled Retirees | General Disability | Male: +7, Female: +3 | None |
| FLC/State Police Disabled Retirees | Public Safety Disability | Male: +7, Female: none | None |

The actuarial assumptions used in the September 30, 2020 valuation were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2020.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE – WASTE WATER SYSTEM

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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:

| | <u>Target Allocation</u> | <u>Long-Term Expected Rate of Return*</u> |
|---------------------------------------|------------------------------|---|
| Fixed Income | 15.00% | 2.80% |
| US Large Stocks | 32.00% | 8.00% |
| US Mid Stocks | 9.00% | 10.00% |
| US Small Stocks | 4.00% | 11.00% |
| International Developed Market Stocks | 12.00% | 9.50% |
| International Emerging Market Stocks | 3.00% | 11.00% |
| Alternatives | 10.00% | 9.00% |
| Real Estate | 10.00% | 6.50% |
| Cash Equivalents | <u>5.00%</u> | 1.50% |
| Total | <u>100.00%</u> | |

* Includes assumed rate of inflation of 2.00%.

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE – WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Changes in Net Pension Liability

| | Increase (Decrease) | | |
|--|----------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a)-(b) |
| Balances at 9/30/2020 | \$ 32,560,184 | \$ 18,966,474 | \$ 13,593,710 |
| Changes for the Year | | | |
| Service Cost | 496,795 | - | 496,795 |
| Interest | 2,439,769 | - | 2,439,769 |
| Changes in Benefit Terms | 0 | - | - |
| Changes in Assumptions | 852,900 | - | 852,900 |
| Differences between expected and actual experience | 804,630 | - | 804,630 |
| Contributions – Employer | - | 992,270 | (992,270) |
| Contributions – Employee | - | 385,440 | (385,440) |
| Net Investment Income | - | 4,170,491 | (4,170,491) |
| Benefit Payments, Including Refunds of Employee Contributions | (1,749,755) | (1,749,755) | - |
| Administrative Expense | - | - | - |
| Transfers Among Employees | - | - | - |
| Net Changes | 2,844,339 | 3,798,446 | (954,107) |
| Balances at 9/30/2021 | \$ 35,404,523 | \$ 22,764,920 | \$ 12,639,603 |

The net pension liability is reflected in each System's financial statements as follows:

| <u>System</u> | <u>June 30, 2022</u> | <u>June 30, 2021</u> |
|---------------|----------------------|----------------------|
| Electric | \$ 5,940,613 | \$ 6,389,044 |
| Water | 3,286,297 | 3,670,302 |
| Waste Water | 3,412,693 | 3,534,364 |
| Total | <u>\$ 12,639,603</u> | <u>\$ 13,593,710</u> |

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE – WASTE WATER SYSTEM

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JUNE 30, 2022 AND 2021

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

The following table presents the Board's net pension liability calculated using the discount rate of 7.45%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage-point higher (8.45%) than the current rate:

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|-------------------------------|------------------------|-------------------------------------|------------------------|
| Board's Net Pension Liability | \$ 17,077,753 | \$ 12,639,603 | \$ 8,918,805 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Report for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2021. The auditor's report dated January 31, 2022 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

For the year ended June 30, 2022, the Board recognized pension expense of \$1,068,035. At June 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 1,478,940 | \$ 0 |
| Changes of assumptions | 856,347 | 0 |
| Net difference between projected and actual earnings on pension plan investments | 0 | 1,637,087 |
| Employer contributions subsequent to the measurement date | 764,906 | 0 |
| Total | <u>\$ 3,100,193</u> | <u>\$ 1,637,087</u> |

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE – WASTE WATER SYSTEM

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For the year ended June 30, 2021, the Board recognized pension expense of \$998,245. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 1,075,363 | \$ 0 |
| Changes of assumptions | 211,070 | 0 |
| Net difference between projected and actual earnings on pension plan investments | 587,323 | 0 |
| Employer contributions subsequent to the measurement date | 729,227 | 0 |
| Total | <u>\$ 2,602,983</u> | <u>\$ 0</u> |

The Deferred Outflows of Resources and Deferred Inflows of Resources were reported in each System's financial statements as follows as of June 30, 2022:

| <u>System</u> | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---------------|--------------------------------------|-------------------------------------|
| Electric | \$ 1,440,602 | \$ 769,431 |
| Water | 847,072 | 425,643 |
| Waste Water | 812,518 | 442,013 |
| Total | <u>\$ 3,100,192</u> | <u>\$ 1,637,087</u> |

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE – WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

The Deferred Outflows of Resources and Deferred Inflows of Resources were reported in each System's financial statements as follows as of June 30, 2021:

| <u>System</u> | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---------------|--------------------------------------|-------------------------------------|
| Electric | \$ 1,201,060 | \$ - |
| Water | 717,079 | - |
| Waste Water | 684,844 | - |
| Total | <u>\$ 2,602,983</u> | <u>\$ -</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|-----------|
| 2023 | \$236,089 |
| 2024 | 219,190 |
| 2025 | (27,478) |
| 2026 | (162,273) |
| 2027 | 259,500 |
| Thereafter | 173,172 |

NOTE 9 - POST-RETIREMENT HEALTH CARE BENEFITS

In addition to pension benefits, the Board provides post-retirement health care benefits in accordance with Board policy.

Description

The Municipal Utilities Board of the City of Albertville (the Board) follows the provisions of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."

The Board, through its commitment to provide other post-employment benefits (OPEB), provides medical benefits to eligible retired employees and their beneficiaries. The Board provides these benefits through the Local Government Health Insurance Plan (LGHIP), an agent multiple-employer healthcare plan affiliated with the Retirement System of Alabama (See Note 8). Once retirees and/or their dependents are eligible for Medicare, their coverage through LGHIP becomes secondary to Medicare.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE – WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

The Board is under no statutory or contractual obligation to provide these postretirement healthcare benefits. Because the plan consists solely of the Board's commitment to provide OPEB through the payment of premiums to the LGHIP, no stand-alone financial report is either available or generated.

Benefits Provided

Retirees are offered health coverage through the Alabama Local Government Health Insurance Board (LGHIB). Premiums under the Plan for post-employment healthcare benefits are funded by participating retirees in accordance with rates established by the LGHIB and by MUB itself from appropriate system funds. For the first three years after retirement, retirees pay \$30 per month for single coverage and \$65 per month for family coverage; the same rate as active employees. At the end of the three-year period, the retiree must pay the entire cost of their premium and that of their dependents. Medical and drug benefits are offered for both pre-Medicare and Medicare eligible retirees.

Medical premiums for non-Medicare retirees was \$1,141 per month for single coverage and \$2,104 per month for family coverage. Medicare primary retirees paid \$199 per month for single coverage and \$398 per month for family coverage. The Plan is financed on a pay-as-you-go basis.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022, the Board reported a liability of \$2,940,189 for its net OPEB liability. The net OPEB liability was measured as of September 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE – WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Changes in Net OPEB Liability

| | Increase (Decrease) | | |
|--|-------------------------|--------------------------------|-----------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
| | (a) | (b) | (a)-(b) |
| Balances at 9/30/2020 | \$ 3,006,701 | \$ - | \$ 3,006,701 |
| Changes for the Year | | | |
| Service Cost at the end of the year | 133,702 | - | 133,702 |
| Interest on Total OPEB Liability and Cash Flows | 65,583 | - | 65,583 |
| Changes in benefit terms | - | - | - |
| Differences between expected and actual experience | 13,140 | - | 13,140 |
| Changes in Assumptions or other inputs | (200,258) | - | (200,258) |
| Benefit Payments and implicit subsidy credit | (78,679) | - | (78,679) |
| Other | - | - | - |
| Net Changes | (66,512) | - | (66,512) |
| Balances at 9/30/2021 | \$ 2,940,189 | \$ - | \$ 2,940,189 |

Sensitivity of the Board's net OPEB liability to changes in healthcare cost trend rates

The following presents the net OPEB liability of the plan as of September 30, 2021, using the current healthcare trend rate, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

| | Health Care Cost Trend Rate Sensitivity | | |
|------------------------------|---|--------------------------|--------------|
| | 1% Decrease | Current | 1% Increase |
| Board's Total OPEB Liability | \$ 2,581,015 | \$ 2,940,189 | \$ 3,365,593 |
| | Discount Rate Sensitivity | | |
| | 1% Decrease | Current | 1% Increase |
| | (1.26%) | Discount Rate (2.26%) | (3.26%) |
| Board's Total OPEB Liability | \$ 3,164,361 | \$ 2,940,189 | \$ 2,726,692 |

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE – WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

The financial statements as of June 30, 2022 reflect a long-term liability and related expense divided by system as follows:

| <u>System</u> | <u>Long-Term Liability</u> | <u>Related Expense</u> |
|---------------|--------------------------------|----------------------------|
| Electric | \$ 1,234,879 | \$ 49,746 |
| Water | 852,655 | 30,141 |
| Waste Water | <u>852,655</u> | <u>15,328</u> |
| Total | <u>\$ 2,940,189</u> | <u>\$ 95,215</u> |

The financial statements as of June 30, 2021 reflect a long-term liability and related expense divided by system as follows:

| <u>System</u> | <u>Long-Term Liability</u> | <u>Related Expense</u> |
|---------------|--------------------------------|----------------------------|
| Electric | \$ 1,262,815 | \$ 94,603 |
| Water | 871,943 | 42,810 |
| Waste Water | <u>871,943</u> | <u>57,749</u> |
| Total | <u>\$ 3,006,701</u> | <u>\$ 195,162</u> |

For the year ended June 30, 2022, the Board recognized OPEB expense of \$95,215. At June 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB of the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 11,948 | \$ 220,085 |
| Changes of assumptions | 357,230 | 263,352 |
| Employer contributions subsequent to the measurement date | 1,167,480 | 0 |
| Employee and retiree contributions subsequent to the measurement date | <u>0</u> | <u>96,147</u> |
| Total | <u>\$ 1,536,658</u> | <u>\$ 579,584</u> |

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE – WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

For the year ended June 30, 2021, the Board recognized OPEB expense of \$195,162. At June 30, 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB of the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 0 | \$ 250,378 |
| Changes of assumptions | 403,540 | 95,744 |
| Employer contributions subsequent to the measurement date | 1,074,822 | 0 |
| Employee and retiree contributions subsequent to the measurement date | 0 | 94,618 |
| Total | \$ 1,478,362 | \$ 440,740 |

The Deferred Outflows of Resources and Deferred Inflows of Resources were reported in each System's financial statements as follows as of June 30, 2022:

| <u>System</u> | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---------------|--------------------------------------|-------------------------------------|
| Electric | \$ 526,271 | \$ 253,211 |
| Water | 488,863 | 167,399 |
| Waste Water | 521,524 | 158,974 |
| Total | \$ 1,536,658 | \$ 579,584 |

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE – WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

The Deferred Outflows of Resources and Deferred Inflows of Resources were reported in each System's financial statements as follows as of June 30, 2021:

| <u>System</u> | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---------------|--------------------------------------|-------------------------------------|
| Electric | \$ 506,568 | \$ 189,921 |
| Water | 479,899 | 132,548 |
| Waste Water | 491,895 | 118,272 |
| Total | <u>\$ 1,478,362</u> | <u>\$ 440,740</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources to OPEB will be recognized in OPEB expense as follows:

| | |
|---------------------|-------------|
| Year ended June 30: | |
| 2022 | \$ (15,441) |
| 2023 | (15,441) |
| 2024 | (15,441) |
| 2025 | (15,441) |
| 2026 | (15,441) |
| Thereafter | (37,054) |

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--|--|
| Inflation | 2.50% |
| Real wage growth | 0.25% |
| Wage inflation | 2.75% |
| Salary increases, including wage inflation | 3.25% - 6.00% |
| Municipal Bond Index Rage | |
| Prior Measurement Date | 2.21% |
| Measurement Date | 2.26% |
| Health Care Cost Trends | |
| Pre-Medicare | 7.00% for 2020 decreasing to an ultimate rate of 4.50% by 2030 |
| Medicare | 5.25% for 2020 decreasing to an ultimate rate of 4.50% by 2024 |
| Dental | 4.00% |

The discount rate used to measure TOL was based on the September average of the Bond Buyer General Obligation 20-year Municipal Bond Index published by The Bond Buyer.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE – WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Mortality rates were based on the Pub-2010 Public Mortality Plans Mortality Tables, with adjustments for the AL ERS experience and generational mortality improvements using Scale MP-2020, with an adjustment of 66-2/3% to the table beginning with year 2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the September 30, 2020 valuation were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2020, and were submitted to and adopted by the Board of the Employees' Retirement system of Alabama on September 14, 2021.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2020 valuation were based on a review of recent plan experience done concurrently with the September 30, 2020 valuation.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns. The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

| | <u>Target Allocation</u> | <u>Long-Term Expected Rate of Return*</u> |
|---------------------------------------|------------------------------|---|
| Fixed Income | 30.00% | 4.40% |
| US Large Stocks | 38.00% | 8.00% |
| US Mid Stocks | 8.00% | 10.00% |
| US Small Stocks | 4.00% | 11.00% |
| International Developed Market Stocks | 15.00% | 9.50% |
| Cash Equivalents | <u>5.00%</u> | 1.50% |
| Total | <u>100.00%</u> | |

* Includes assumed rate of inflation of 2.75%.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE – WASTE WATER SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 7 - RELATED PARTY TRANSACTIONS

The Municipal Utilities Board of the City of Albertville operates the Electric, Water and Waste Water Systems. In order to stream-line operations, the Electric System bills and collects revenues for the Water and Waste Water Systems and remits those billings monthly. Vendor payments are consolidated whenever practical while maintaining the proper coding of expenses to each department. The payroll system is maintained by the Electric System with reimbursements from the Water and Waste Water Systems. In addition, each system purchases utility services from the other respective systems.

The related party receivable amounts as of June 30, 2022 and 2021 were \$531,895 and \$456,336, respectively, and represent net amounts due from the Electric System to the Waste Water System.

NOTE 8 - MAJOR CUSTOMERS

The Waste Water System had three customers to whom sales constitute 10% or more of total Waste Water revenue. Information pertaining to these customers for the years ended June 30, 2022 and 2021 is shown below:

| | <u>2022</u> | <u>2021</u> |
|---------------------------------|--------------|--------------|
| Sales for the Year | \$ 3,895,348 | \$ 3,806,851 |
| Accounts Receivable at Year End | 308,302 | 330,534 |

NOTE 9 – RISK MANAGEMENT

Significant losses are covered by commercial insurance for all major programs and worker's compensation. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. There have been no significant reductions in insurance coverage.

NOTE 10 - SUBSEQUENT EVENTS

The Municipal Utilities Board of the City of Albertville evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. The Municipal Utilities Board of the City of Albertville evaluated subsequent events through October 21, 2022, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2022 AND 2021

SCHEDULES OF CHANGES IN THE BOARD'S NET PENSION LIABILITY AND RELATED RATIOS

Last Ten (10) Fiscal Years Ending September 30

| | September 30, 2021 | September 30, 2020 | September 30, 2019 | September 30, 2018 | September 30, 2017 | September 30, 2016 | September 30, 2015 | September 30, 2014 | September 30, 2013 | September 30, 2012 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--------------------|--------------------|
| Total Pension Liability | | | | | | | | | | |
| Service Cost | \$ 496,795 | \$ 445,568 | \$ 428,717 | \$ 407,409 | \$ 382,828 | \$ 398,212 | \$ 379,498 | \$ 364,766 | \$ - | \$ - |
| Interest | 2,439,769 | 2,320,841 | 2,218,024 | 2,151,504 | 2,093,962 | 2,067,864 | 1,966,782 | 1,909,399 | - | - |
| Changes of Benefit Terms | - | 192,919 | - | - | - | - | - | - | - | - |
| Differences Between | | | | | | | | | | |
| Expected and Actual Experience | 804,630 | 375,395 | 634,670 | 173,586 | 315,077 | 144,947 | 474,452 | - | - | - |
| Changes of Assumptions | 852,900 | - | - | 162,476 | - | 403,120 | - | - | - | - |
| Benefit Payments, Including | | | | | | | | | | |
| Refunds of Employee Contributions | (1,749,755) | (1,864,029) | (2,028,241) | (1,672,318) | (2,107,286) | (1,565,510) | (1,548,899) | (1,564,873) | - | - |
| Transfers Among Employers | - | 16,688 | - | (525) | (159,587) | (7,179) | - | - | - | - |
| Net Change in Total Pension Liability | 2,844,339 | 1,487,382 | 1,253,170 | 1,222,132 | 524,994 | 1,441,454 | 1,271,833 | 709,292 | - | - |
| Total Pension Liability - Beginning | 32,560,184 | 31,072,802 | 29,819,632 | 28,597,500 | 28,072,506 | 26,631,052 | 25,359,219 | 24,649,927 | - | - |
| Total Pension Liability - Ending | \$ 35,404,523 | \$ 32,560,184 | \$ 31,072,802 | \$ 29,819,632 | \$ 28,597,500 | \$ 28,072,506 | \$ 26,631,052 | \$ 25,359,219 | \$ - | \$ - |
| Plan Fiduciary Net Position | | | | | | | | | | |
| Contributions - Employer | \$ 992,270 | \$ 943,044 | \$ 875,592 | \$ 860,087 | \$ 825,654 | \$ 797,996 | \$ 743,007 | \$ 692,260 | \$ - | \$ - |
| Contributions - Employee | 385,440 | 352,769 | 322,885 | 311,959 | 297,978 | 281,741 | 274,597 | 265,949 | - | - |
| Net Investment Income | 4,170,491 | 1,040,119 | 472,984 | 1,616,653 | 2,076,089 | 1,574,278 | 187,246 | 1,751,570 | - | - |
| Benefit Payments, Including | | | | | | | | | | |
| Refunds of Employee Contributions | (1,749,755) | (1,864,029) | (2,028,241) | (1,672,318) | (2,107,286) | (1,565,510) | (1,548,899) | (1,564,873) | - | - |
| Administrative Expense | - | - | - | - | - | - | - | - | - | - |
| Transfers Among Employers | - | 16,688 | - | (525) | (159,587) | (7,179) | - | 4,575 | - | - |
| Net Change in Plan Fiduciary Net Position | 3,798,446 | 488,591 | (356,780) | 1,115,856 | 932,848 | 1,081,326 | (344,049) | 1,149,481 | - | - |
| Plan Fiduciary Net Position - Beginning | 18,966,474 | 18,477,883 | 18,834,663 | 17,718,807 | 16,785,959 | 15,704,633 | 16,048,682 | 14,899,201 | - | - |
| Plan Fiduciary Net Position - Ending | \$ 22,764,920 | \$ 18,966,474 | \$ 18,477,883 | \$ 18,834,663 | \$ 17,718,807 | \$ 16,785,959 | \$ 15,704,633 | \$ 16,048,682 | \$ - | \$ - |
| Board's Net Pension Liability - Ending | \$ 12,639,603 | \$ 13,593,710 | \$ 12,594,919 | \$ 10,984,969 | \$ 10,878,693 | \$ 11,286,547 | \$ 10,926,419 | \$ 9,310,537 | \$ - | \$ - |
| Plan Fiduciary Net Position as a | | | | | | | | | | |
| Percentage of the Total Pension Liability | 64.30% | 58.25% | 59.47% | 63.16% | 61.96% | 59.80% | 58.97% | 63.29% | | |
| Covered-Employee Payroll * | \$ 6,980,738 | \$ 6,830,182 | \$ 6,262,360 | 6,028,705 | 5,860,040 | 5,620,854 | 5,443,506 | 5,296,453 | | |
| Board's Net Pension Liability as a | | | | | | | | | | |
| Percentage of Covered-Employee Payroll | 181.06% | 199.02% | 201.12% | 182.21% | 185.64% | 200.80% | 200.72% | 175.79% | | |

*Employer's covered-payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY2022, the measurement period is October 1, 2020 - September 30, 2021.

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022 AND 2021

SCHEDULES OF EMPLOYER CONTRIBUTIONS

Last Ten (10) Fiscal Years Ending June 30

| | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 | June 30, 2013 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Actuarially Determined Contribution * | \$ 1,068,035 | \$ 998,245 | \$ 918,636 | \$ 863,669 | \$ 823,941 | \$ 815,306 | \$ 829,236 | \$ 749,824 | \$ - | \$ - |
| Contributions in Relation to the Actuarially Determined Contribution * | 1,068,035 | 998,245 | 918,636 | 863,669 | 823,941 | 815,306 | 829,236 | 749,824 | - | - |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered-Employee Payroll ** | \$ 7,248,254 | \$ 6,887,643 | \$ 6,477,556 | 6,216,723 | 5,968,322 | 5,822,269 | 5,752,545 | 5,415,852 | | |
| Contributions as a Percentage of Covered Employee Payroll | 14.74% | 14.49% | 14.18% | 13.89% | 13.81% | 14.00% | 14.42% | 13.84% | | |

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

** Employer's covered payroll for FY2022 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 2022 were based on the September 30, 2019 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 | 28.1 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 |

Methods and assumptions used to determine contribution rates for the period October 1, 2021 to September 30, 2022:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level Percent Closed |
| Remaining Amortization Period | 27.5 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 |

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2022 AND 2021

SCHEDULES OF CHANGES IN THE BOARD'S NET OTHER POST EMPLOYMENT BENEFIT (OPEB) LIABILITY AND RELATED RATIOS

Last Ten (10) Fiscal Years Ending September 30

| | September 30, 2021 | September 30, 2020 | September 30, 2019 | September 30, 2018 | September 30, 2017 | September 30, 2016 | September 30, 2015 | September 30, 2014 | September 30, 2013 | September 30, 2012 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Total OPEB Liability | | | | | | | | | | |
| Service Cost at End of Year | \$ 133,702 | \$ 126,225 | \$ 90,329 | \$ 98,998 | \$ 109,139 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Interest on the Total OPEB Liability | 65,583 | 76,412 | 101,561 | 84,976 | 72,826 | - | - | - | - | - |
| Changes of Benefit Terms | - | 46,798 | - | - | - | - | - | - | - | - |
| Differences Between | | | | | | | | | | |
| Expected and Actual Experience | 13,140 | (182,331) | (3,242) | (29,176) | (100,303) | - | - | - | - | - |
| Changes of Assumptions or Other Inputs | (200,258) | 123,074 | 361,137 | (9,974) | (142,733) | - | - | - | - | - |
| Benefit Payments and | | | | | | | | | | |
| Implicit Subsidy Credit | (78,679) | (111,456) | (101,958) | (89,143) | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - |
| Net Change in Total OPEB Liability | (66,512) | 78,722 | 447,827 | 55,681 | (61,071) | - | - | - | - | - |
| Total OPEB Liability - Beginning | 3,006,701 | 2,927,979 | 2,480,152 | 2,424,471 | 2,485,542 | - | - | - | - | - |
| Total OPEB Liability - Ending | <u>\$ 2,940,189</u> | <u>\$ 3,006,701</u> | <u>\$ 2,927,979</u> | <u>\$ 2,480,152</u> | <u>\$ 2,424,471</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Plan Fiduciary Net Position | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Board's Net OPEB Liability - Ending | <u>\$ 2,940,189</u> | <u>\$ 3,006,701</u> | <u>\$ 2,927,979</u> | <u>\$ 2,480,152</u> | <u>\$ 2,424,471</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Plan Fiduciary Net Position as a | | | | | | | | | | |
| Percentage of the Total OPEB Liability | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | | | | | |
| Covered-Employee Payroll | \$ 6,632,043 | \$ 6,632,043 | \$ 5,922,723 | \$ 5,922,723 | 5,520,856 | | | | | |
| Board's Net OPEB Liability as a | | | | | | | | | | |
| Percentage of Covered-Employee Payroll | 44.33% | 45.34% | 49.44% | 41.88% | 43.91% | | | | | |

SUPPLEMENTARY INFORMATION

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - WASTE WATER SYSTEM

SCHEDULES OF OPERATING EXPENSE

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

| | 2022 | | 2021 | |
|--|---------------------|------------------------------|---------------------|------------------------------|
| | Amount | Percent of Operating Revenue | Amount | Percent of Operating Revenue |
| WASTE WATER TREATMENT PLANT EXPENSE | | | | |
| Salaries and Wages | \$ 947,512 | 11.22 % | \$ 881,804 | 10.67 % |
| Supplies | 75,547 | 0.89 | 55,843 | 0.68 |
| Employee Welfare | 397,919 | 4.71 | 373,727 | 4.52 |
| Chemicals and Odor Control | 234,858 | 2.78 | 265,022 | 3.21 |
| Maintenance and Repair | 115,503 | 1.37 | 210,286 | 2.54 |
| Sludge Disposal | 149,855 | 1.77 | 179,881 | 2.18 |
| Utilities | 1,172,371 | 13.88 | 926,038 | 11.20 |
| Other | 47,754 | 0.57 | 63,548 | 0.77 |
| | <u>3,141,319</u> | <u>37.20</u> | <u>2,956,149</u> | <u>35.75</u> |
| PUMPING STATIONS EXPENSE | | | | |
| Salaries and Wages | 120,433 | 1.43 | 114,581 | 1.39 |
| Supplies | 91,901 | 1.09 | 67,347 | 0.81 |
| Maintenance and Repair | 311,572 | 3.69 | 304,937 | 3.69 |
| Utilities | 244,324 | 2.89 | 251,108 | 3.04 |
| | <u>768,230</u> | <u>9.10</u> | <u>737,973</u> | <u>8.93</u> |
| WASTE WATER LINE EXPENSE | | | | |
| Salaries and Wages | 266,039 | 3.15 | 248,759 | 3.01 |
| Supplies | 149,374 | 1.77 | 198,744 | 2.40 |
| Maintenance and Repair | 311,279 | 3.69 | 347,978 | 4.21 |
| Utilities | 3,173 | 0.04 | 3,329 | 0.04 |
| Other | 74,181 | 0.88 | 77,541 | 0.94 |
| | <u>804,046</u> | <u>9.52</u> | <u>876,351</u> | <u>10.60</u> |
| CUSTOMER ACCOUNTS EXPENSE | | | | |
| Billing and Collection | <u>328,687</u> | <u>3.89</u> | <u>321,624</u> | <u>3.89</u> |
| ADMINISTRATIVE AND GENERAL EXPENSE | | | | |
| Salaries and Wages | 95,420 | 1.13 | 91,447 | 1.11 |
| General | 40,156 | 0.48 | 42,184 | 0.51 |
| Supplies | 66,930 | 0.79 | 61,331 | 0.74 |
| Insurance | 114,616 | 1.36 | 110,896 | 1.34 |
| Legal, Accounting, and Consulting | 27,837 | 0.33 | 17,667 | 0.21 |
| Employee Pensions and Benefits | 773,872 | 9.16 | 840,494 | 10.17 |
| | <u>1,118,831</u> | <u>13.25</u> | <u>1,164,019</u> | <u>14.08</u> |
| | <u>\$ 6,161,113</u> | <u>72.95 %</u> | <u>\$ 6,056,116</u> | <u>73.25 %</u> |

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - WASTE WATER SYSTEM

SCHEDULES OF OPERATING STATISTICS

FOR THE YEAR ENDED JUNE 30, 2022

Customer Accounts and Gallons Billed

| | Average Number of Customers | Annual Consumption |
|-------------|-----------------------------------|-----------------------|
| Residential | 5,864 | 351,173,900 |
| Commercial | 957 | 137,263,900 |
| Industrial | 28 | 1,203,032,400 |
| | <u>6,849</u> | <u>1,691,470,200</u> |

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

| | Waste Water Revenues | Percentage of Waste Water Revenues | Consumption |
|---------------------------------|-------------------------|--|----------------------|
| Tyson Foods, Inc. | \$ 1,547,445 | 19.66% | 379,698,200 |
| Wayne Farms, LLC | 1,211,395 | 15.39% | 279,612,800 |
| Huhtamaki Retail | 1,136,508 | 14.44% | 252,844,200 |
| Alatrade Foods, LLC | 477,506 | 6.07% | 97,009,100 |
| MUB - Water Sludge | 364,975 | 4.64% | 88,728,600 |
| OK Foods | 321,181 | 4.08% | 62,913,800 |
| | <u>\$ 5,059,010</u> | <u>64.29%</u> | <u>1,160,806,700</u> |
| Total Waste Water Sales Revenue | <u>\$ 7,869,469</u> | | |

Unaudited

(Continued)

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - WASTE WATER SYSTEM
SCHEDULES OF OPERATING STATISTICS (Continued)
FOR THE YEAR ENDED JUNE 30, 2022

Average Residential Usage - Gallons

| <u>Total Annual Consumption</u> | <u>Average Monthly Consumption</u> | <u>Average Number of Customers</u> | <u>Average Monthly Consumption Per Customer</u> |
|---|--|--|---|
| 351,173,900 | 29,264,492 | 5,864 | 4,991 |

Measurement of Transmission Mains and Distribution Lines

| | <u>Total Feet</u> | <u>Total Cost</u> | <u>Price Per Foot</u> |
|--|-----------------------|-----------------------|---------------------------|
| Sewer Mains | 668,811 | \$ 9,253,734 | \$ 13.84 |
| 2" Sewer Mains | 4,208 | 54,258 | 12.89 |
| 3" Sewer Mains | 14,680 | 159,223 | 10.85 |
| 4" Sewer Mains | 22,788 | 289,292 | 12.69 |
| 6" Sewer Mains | 14,491 | 461,594 | 31.85 |
| 8" Sewer Mains | 84,505 | 6,042,405 | 71.50 |
| 10" Sewer Mains | 8,934 | 371,079 | 41.54 |
| 12" Sewer Mains | 24,546 | 1,620,663 | 66.03 |
| 15", 16", 18", 24" and 36" Sewer Mains | 34,505 | 5,932,183 | 171.92 |
| | <u>877,468</u> | <u>\$ 24,184,431</u> | <u>\$ 433.11</u> |

Total Miles of Pipeline 166.20

Quantity of Manholes and Service Laterals

| | <u>Quantity</u> | <u>Total Cost</u> | <u>Price Per Item</u> |
|---------------------|-----------------|-----------------------|---------------------------|
| Manholes | 370 | \$ 1,769,831 | \$ 4,783.33 |
| 2" Service Laterals | 247 | 101,054 | 409.13 |
| 4" Service Laterals | 999 | 998,260 | 999.26 |
| 6" Service Laterals | 65 | 54,936 | 845.17 |
| 8" Service Laterals | 16 | 23,956 | 1,497.25 |
| | <u>1,697</u> | <u>\$ 2,948,037</u> | <u>\$ 8,534.13</u> |

Unaudited

MUNICIPAL UTILITIES BOARD OF THE CITY OF ALBERTVILLE - WASTE WATER SYSTEM

SCHEDULES OF DEBT SERVICE REQUIREMENTS TO MATURITY

JUNE 30, 2022

| Maturity Date | General Obligation Warrant, Series 2012-CWSRF-DL Dated October 1, 2012 | | | Sewer Revenue Bonds, Series 2013B-CWSRF-DL Dated October 1, 2013 | | | Sewer Revenue Bonds, Series 2019A Dated December 1, 2019 | | | Total Principal and Interest |
|---------------|---|---------------------|-------------------|---|---------------------|-------------------|---|---------------------|-------------------|------------------------------|
| | Interest Rate | Principal | Interest | Interest Rate | Principal | Interest | Interest Rate | Principal | Interest | |
| 2023 | 2.75 % | \$ 265,000 | \$ 97,969 | 2.45 % | \$ 160,000 | \$ 57,697 | 1.40 % | \$ 440,000 | \$ 163,130 | \$ 1,183,796 |
| 2024 | | 270,000 | 90,612 | | 165,000 | 53,716 | 3.00 | 450,000 | 153,300 | 1,182,628 |
| 2025 | | 280,000 | 83,050 | | 170,000 | 49,612 | 3.00 | 460,000 | 139,650 | 1,182,312 |
| 2026 | | 285,000 | 75,281 | | 175,000 | 45,386 | 3.00 | 475,000 | 125,625 | 1,181,292 |
| 2027 | | 295,000 | 67,306 | | 180,000 | 41,037 | 4.00 | 495,000 | 108,600 | 1,186,943 |
| 2028 | | 300,000 | 59,125 | | 185,000 | 36,566 | 4.00 | 510,000 | 88,500 | 1,179,191 |
| 2029 | | 310,000 | 50,738 | | 185,000 | 32,034 | 4.00 | 530,000 | 67,700 | 1,175,472 |
| 2030 | | 320,000 | 42,075 | | 190,000 | 27,441 | 2.00 | 555,000 | 51,550 | 1,186,066 |
| 2031 | | 330,000 | 33,138 | | 195,000 | 22,724 | 4.00 | 565,000 | 34,700 | 1,180,562 |
| 2032 | | 340,000 | 23,925 | | 200,000 | 17,885 | 4.00 | 585,000 | 11,700 | 1,178,510 |
| 2033 | | 345,000 | 14,506 | | 205,000 | 12,924 | | - | - | 577,430 |
| 2034 | | 355,000 | 4,881 | | 210,000 | 7,840 | | - | - | 577,721 |
| 2035 | | - | - | | 215,000 | 2,634 | | - | - | 217,634 |
| | | <u>\$ 3,695,000</u> | <u>\$ 642,606</u> | | <u>\$ 2,435,000</u> | <u>\$ 407,496</u> | | <u>\$ 5,065,000</u> | <u>\$ 944,455</u> | <u>\$ 13,189,557</u> |