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Port of Huntsville Annual Report Archive

2023 Annual Report

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Port of Huntsville
Huntsville, Alabama

2023 Annual Report

Signature Aviation Begins $12 Million Terminal Renovation

HSV's FBO will experience a year of construction to put a modern new facility at Huntsville's executive front

Breeze Airways Adds Two New Nonstop Routes from Huntsville

Top leisure destinations Las Vegas and Orlando add to the excitement of flying from close to home.

When 'What If' Happens: Airport Fine-Tunes Alert Response Skills

The Port of Huntsville rallied more than 100 community volunteers and 15 mutual aid agencies as well as staff to

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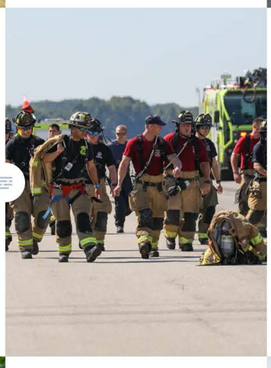
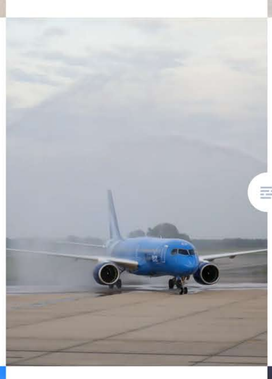


What's New & Updated at HSV

A number of innovations and upgrades at the Port of Huntsville were accomplished in FY23.

Adding Wings to Paracycling Wheels at First World Cup Held in the U.S.

HSV participated on the Huntsville UCI Paracycling Transportation subcommittee



Business Development Updates

Businesses broke ground on more than 357,000 square feet of warehousing in Jetplex Industrial Park.

SES, Inc. Expands Operations with Air Cargo Hangar Lease

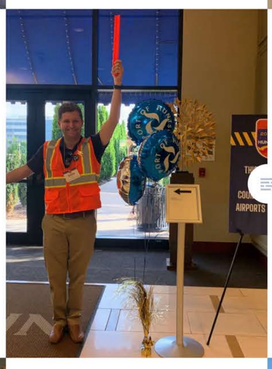
Science and Engineering Services adds !11,000+ square feet of MRO facilities

Taking to the Air in Droves: Passengers Are Ready to Fly Again

HSV is well on way to recovering – and surpassing – pre-pandemic load factors.

Pavement Leads the Way with $9+ Million in Projects at HSV

New asphalt is the scent of success in FY23 at HSV.



HSV Hosts Aviation Council of Alabama for Annual Airports Conference

Huntsville attractions are showcased while airport managers network and learn.

Accolades, Highlights & Recognition for HSV

The Port of Huntsville saw many positives to celebrate in FY23.

What's Next in FY24

Construction headlines projects designed to improve the customer experience at HSV in FY24.

Signature Aviation Begins $12 Million Terminal Renovation

Signature Aviation, the world's largest private aviation terminal operator, marked the commencement of construction on its FBO facility at Huntsville International Airport (HSV) with a groundbreaking ceremony June 13, 2023. The occasion marked a significant milestone in Signature Aviation's commitment to providing unparalleled services to the aviation community and solidified its partnership with HSV.

The new terminal at HSV is designed to meet the evolving needs of discerning travelers and aviation professionals, as well as serve as a gateway to Huntsville and its thriving aerospace industry, catering to private, corporate, and government aviation customers.

The groundbreaking ceremony brought together key stakeholders including the Port of Huntsville Board of Directors, Huntsville Mayor Tommy Battle, Madison County Commission Chairman Mac McCutcheon, community leaders and members of the media. Huntsville International Airport CEO Butch Roberts and other speakers highlighted the significance of this investment and the positive impact it will have on the region.

"The groundbreaking ceremony for Signature's new HSV facility is helping highlight the importance of Huntsville as a destination for private aviation and as a key hub for aerospace, defense, and information technology," shared Marty Kretchman, Senior Vice President of Special Projects for Signature Aviation. "We're thrilled to be kickstarting the next step in our efforts to serve our customers and the Huntsville community."

The $12 million investment in the new facility underscores Signature Aviation's commitment to delivering exceptional service, efficiency, and operational excellence by featuring a wealth of new passenger amenities for Huntsville visitors. This includes a spacious and elegantly designed terminal, comfortable lounges, private meeting rooms, and concierge services.

The FBO will also commence a ramp expansion as a part of the facility upgrades, which should help to extend the front door experience of Signature HSV to a larger range of aircraft with a wider main ramp space.

"Signature has been an important partner with the Port of Huntsville since 1992, and for more than three decades, they have been instrumental in contributing to our growth as a commercial airport and an inland port, especially in our cargo operations," said Butch Roberts, CEO for the Port of Huntsville. "Signature responded to growing demand for air cargo support by investing in fuel trucks to keep jumbo jets flying and cargo moving through HSV with quicker turnaround times."

The terminal expansion is expected to be completed by Summer 2024.

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Breeze Airways Adds Two New Nonstop Routes from Huntsville

Breeze Airways Adds Two New Nonstop Routes from Huntsville

Huntsville travelers began enjoying two additional nonstop leisure routes and the return of seasonal service to Charleston, S.C., in FY23 as Breeze Airways sought to expand air travel options in under-served communities. Breeze launched nonstop service from HSV to the nation's top leisure destinations by air: to Las Vegas on August 4, 2022, and to Orlando, Fla., on March 2, 2023. Seasonal service to Charleston returned for Spring 2023.

"As Breeze continues to grow, we're excited to add more easy and affordable travel options for our Guests in Huntsville," said Tom Doxey, Breeze Airways President. "We know both will be extremely popular, with Orlando being such a popular family-friendly destination and Charleston recently being named the best city in the U.S. by *Travel + Leisure* readers."

"We at Huntsville International Airport welcome new, nonstop Orlando flights to Huntsville on Breeze," said Butch Roberts, CEO, Huntsville International Airport. "We are confident that our customers will be thrilled to have this seriously nice service to their favorite leisure destinations available just as vacation season begins."

"When I spoke with Breeze Airways President Tom Doxey on his recent visit to Huntsville, he wanted our community to know that Breeze wants to do business here because of the people who call Huntsville home," said Mark McDaniel, Huntsville International Airport Board Member. "He sees our need for convenient, low-cost, nonstop air service to leisure destinations, and Breeze is committed to filling that gap for us."

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When ‘What If’ Happens: Airport Fine-Tunes Alert Response Skills

The Port of Huntsville rallied more than 100 community volunteers and 15 mutual aid agencies as well as staff to simulate a full-scale aviation disaster – classified as an Alert 3 – on Sept. 8, 2022. The simulation was led by the POH Public Safety Department and satisfies an Federal Aviation Administration requirement for commercial passenger airports to conduct a full-scale disaster drill every three years.

The FAA requires commercial airports to participate fully in a realistic Alert 3 simulation to gauge readiness for an actual disaster. Mutual aid – including agencies representing city and county first responders, emergency medical technicians and emergency transportation providers – also participated in the drill as their presence would be sought in case of an actual airplane crash or similarly serious event on airport property.

Volunteer “victims” were assigned placards listing their injuries as well as appropriate responses for first responders to note and practice. The James Clemens High School theater program volunteered their time to provide fake wounds and fake blood to simulate the injuries. The drill was evaluated by the FAA and was considered a successful simulation.

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What's New & Updated at HSV

New Amenity Will Ease the Waiting Game

Huntsville International Airport (HSV) began construction on a new cell phone waiting parking lot along the inbound lanes of Glenn Hearn Boulevard in June 2022. The new cell phone lot will accommodate 72 parking spaces and will be used for guests waiting to pick up passengers flying into HSV. As the airport has continued to grow and welcome additional air service including Breeze Airways, this cell phone waiting parking lot has become essential, said Butch Roberts, CEO of Huntsville International Airport.

"The new cell phone lot will provide a convenient and safe place for guests to wait on arriving passengers," Roberts said. "We are hoping that in providing this lot, we will see significant improvements for the traffic at the front of the terminal for active passenger loading and unloading."

Guests can park in the cell phone lot until the arriving passenger calls or sends them a text message that they are outside the terminal and ready to be picked up at the curb, reducing congestion in the front of the airport terminal. The project is anticipated to take three months to complete and to cost $600,000.

Innovations & Investments Moving Us Forward

- Breeze Airways launched new nonstop flights to Las Vegas (LAS) and Orlando (MCO) from Huntsville.
- DSV added three additional cargo flights per week to Sao Paulo, Brazil, from Huntsville using LATAM airlines.
- American Airlines brought back seasonal nonstop service to Miami from HSV.
- The Food Bank of North Alabama broke ground and began construction of a 50,000-square-foot distribution center in the Jetplex Industrial Park.
- Fanaco Fasteners broke ground and began construction of a 170,000-square-foot distribution center and spec warehouse space in the Jetplex Industrial Park.
- Signature Aviation broke ground on a $12 million terminal renovation project.
- SES, Inc. expanded their operations at HSV by signing a multi-year lease for the new air cargo/MRO building.
- Custom Assembly broke ground and began construction of a 137,000-square-foot warehouse, expanding their footprint at their County Line Road location in the Jetplex Industrial Park.
- HSV completed the $2.7 million Air Cargo Apron Rehab Project.
- HSV broke ground on the $2.7 million Air Cargo Access Road extension and overlay.
- HSV broke ground on the $3.2 million new Employee Parking Lot.

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2023 Annual Report for Port of Huntsville

A large influx of guests from across the globe arrived at HSV for the Paracycling Road World Cup over Memorial Day weekend emphasizing our designation as a truly international airport. Hundreds of elite paracycling athletes from more than 30 countries touched down with highly customized cycling equipment in tow.

The entire team from Spain made their home at the Four Points by Sheraton Huntsville hotel, located in Huntsville International Airport, for the competition week.

As a member of the Huntsville UCI Paracycling Transportation subcommittee, Chief Operations Officer Kevin Vandeberg led airport and airline staff to make the transition from flight to hotel as frustration-free as possible for the arriving athletes and coaches.

Handling and storing the valuable bikes requires the utmost care. Depending on an athlete's physical impairment, from a missing limb to balance issues as a result of a traumatic brain injury, they may require a modified two-wheeled bicycle, recumbent bike, tandem cycle, handcycle or tricycle to compete. Set up precisely to an athlete's specifications, the bikes are irreplaceable and must be ready to go on race day.

Athletes competing in the Paracycling Road World Cup event held at Cummings Research Park had the opportunity to advance to represent their countries in the 2024 Paralympic Games in Paris, France.

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Business Development Updates

As Huntsville and its surrounding metro area are experiencing exponential economic growth, such expansion demands more strategically located real estate to do business. Remarkably, the Port of Huntsville saw a record number of sizable projects breaking ground for new and enlarged facilities:

- The Food Bank of North Alabama broke ground November 2022 on a new construction of a 50,000-square-foot distribution center in the Jetplex Industrial Park.
- Fanaco Fasteners broke ground October 2022 in the Jetplex Industrial Park and began construction of a 170,000-square-foot distribution center and spec warehouse space.
- Custom Assembly broke ground and began construction of a 137,000-square-foot warehouse in 2022. The addition of this construction expands their footprint at the company's County Line Road location in the Jetplex Industrial Park.
- Signature Aviation broke ground in June 2023 on a $12 million terminal renovation project at the FBO.
- HSV broke ground on the construction of a new hangar in the International Cargo Center, and Science and Engineering Services, Inc., expanded their MRO operations at Huntsville International Airport by signing a multi-year lease for the building.

Air service to Huntsville International Airport continued its upward trend with robust increases in availability of seats in our market. Total available seats numbered 846,690, an increase of 9.8% over FY22.

Passenger enplanements saw an even larger increase at 13.1% over FY22 as customers enthusiastically returned to the skies for long-awaited trips put off over the pandemic years. Enplanements numbered 658,194 in FY23.

To meet the demand, Breeze Airways launched two new nonstop routes from HSV to the most popular leisure destinations in the United States: Las Vegas and Orlando. Following the dramatic success of American Airlines' nonstop summer flights to Miami in 2021, the airline brought the route back as seasonal service in 2022.

Air cargo likewise enjoyed increased service as DSV added three more cargo flights per week to Sao Paolo, Brazil from HSV using LATAM Airlines. The route is dubbed the LATAM Star.

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SES, Inc. Expands Operations with Air Cargo Hangar Lease

Science and Engineering Services, LLC, has enlarged its footprint in Huntsville at Huntsville International Airport with a commitment to lease the new air cargo hangar coming online in FY24. HSV began construction of the hangar in Fall 2022, and SES saw an opportunity to increase aviation MRO (maintenance, repair and overhaul) operations adjacent to their established locations at the Port of Huntsville. The air cargo warehouse is 111,000 square feet and will be built out to SES specifications. Construction is expected to be completed in Winter 2023 with a final project cost of $16 million. Fite Building Company is providing contracting services, and the architect for the project is Barge Design Solutions.

“As SES grows as a company, they grow with us,” said Barbie Peek, Chief Business Development Officer for the Port of Huntsville. “SES is a very important partner in the evolution of our aviation presence in our community, which is so aligned with defense and advanced technologies.”

SES moved into the vacated Dunlop Tire production facility on Wall Triana Highway in 2014 and subsequently leased two air cargo hangars at Huntsville International Airport having a combined 106,000 square feet The nature of the company’s aviation integration and manufacturing operations necessitated close proximity to an airfield large enough to support aircraft modification, manufacturing, and research and development activities. SES has performed hundreds of prototype, production and integration efforts on numerous manned and unmanned platforms including nearly every U.S. Army helicopter platform. The company also performs ground combat support, research and development, program management, engineering, logistics, high volume procurement and training and has additional locations in Maryland and Georgia.

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Taking to the Air in Droves: Passengers Are Ready to Fly Again

While early 2022 hinted at the return of air travel after two long years of fewer options for flights, by summer, the airport was full of travelers eager to take trips they had long put off due to the pandemic. The desire to once again fly to visit family, take a vacation and even travel for work climbed steadily – and rapidly – throughout FY23 .

"This has been one of our best financial years at HSV as a result of the recovery," said Butch Roberts, CEO.

The relaxation of travel restrictions boosted the willingness of passengers to fly along with low unemployment rates and above 80% vaccination rates in major aviation markets, according to Airports Council International, and this was evidenced by higher-than-expected demand.

By the beginning of FY23 in July 2022, passenger traffic had increased 46.7% in the first six months of the calendar year, matching global passenger traffic. By the end of FY23 in June 2023, passenger totals were 17.8% above budgeted projections putting HSV at 98.5% of pre-COVID travel last benchmarked in the break-out year 2019. Total traffic is forecasted to achieve or exceed this level in 2024.

Corporate travel still remains at risk going forward, according to experts, but it has taken on a new life in the "bleisure" market. Business travelers will tack on a few days or longer at their destination to extend a work trip into a vacation. In HSV's 2023 Drive Survey, respondents said 83% of their trips account for business+leisure travel.

Although rising energy costs, fighting in Ukraine and global supply chain woes threatened to jeopardize the rapid positive trajectory of post-pandemic recovery, that doesn't seem to have materialized given the continued strong demand for flight and increased number of available seats in the Huntsville market. Looking forward to 2024, the upward trend is expected to exceed the capacity and availability of air travel of any years previous.

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Pavement Leads the Way with $9+ Million in Projects at HSV

Whether you call it apron, ramp or tarmac, the valuable and expansive surface is something that commercial airports just can't operate without. Simply put, where the rubber meets the road for airports is the amount of pavement so vast it is measured in *square miles*.

Huntsville International Airport invests regularly in upkeep of pavement to ensure flight safety and sustainability of the HSV's financial future. After all, and airport in disrepair cannot expect to be voted among the top airports in the U.S. as is Huntsville, three years running.

Here's a rundown of the pavement projects initiated or completed in FY23:

- Air Cargo Apron Rehab Project (completed) – $2.7 million
- Air Cargo Access Road Extension and Overlay (in progress) – $2.7 million
- New Employee Parking Lot (in progress) – $3.2 million
- New Cell Phone Waiting Lot (in progress)- $700,000

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2023 Annual Report for Port of Huntsville

Huntsville International Airport hosted the 2022 Aviation Council of Alabama Annual Airport Conference Sept. 25-27, 2022 at the Westin Huntsville. The conference drew 200 attendees and 49 sponsors for information and education sessions by the Regional FAA, ALDOT, and aviation industry experts including Rick Tucker, former HSV CEO; and HSV executive staff Jim Flowers, Amy Murphree, and Kevin Vandeberg.

Daytime enrichment activities included a Space Camp Aviation Challenge Experience, tour of the International Intermodal Center led by Business Development Manager Jim Hutcheson, and U.S. Space & Rocket Center docent-led tours. Attendees enjoyed top-notch evening activities including the Opening Reception/ACA Scholarship Fundraiser at TopGolf, President's Dinner at the Davidson Center for Space Exploration featuring keynote NASA Astronaut BG Bob Stewart, USA (Ret), and a "Survivors Soiree" dinner at Rhythm on Monroe with a comedy show in the Mars Music Hall.

The conference was able to return more than $52,000 to the ACA, a nonprofit organization of which $4,000 was raised for the ACA's scholarship foundation.

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Accolades, Highlights & Recognition for HSV

The Port of Huntsville saw many positives to celebrate in 2022-2023. Here are some of our accomplishments, accolades, highlights and recognition received throughout FY23:

GOVERNMENTAL AFFAIRS/PLANNING

HSV received discretionary grant awards totaling $18,833,974 during fiscal year 2023.

Grant 93 awarded to HSV attributed to the Federal Airport Improvement Program provided $5,714,732 in funding for the air cargo access road adjacent to cargo hangars alongside East Runway 18L/36R, the rehabilitation of the air cargo ramp and the F2 connector relocation.

Grant 94 funded by the Discretionary Airport Terminal Program provided a $10 million grant for the purpose of renovating the HSV concourse connector area. The original structure, dating to 1990, provided only a single elevator and two escalators for passengers to access the concourse from the terminal. The new design will include two glass elevators and four escalators as well as stairs to ensure redundancy in access and create a more aesthetically pleasing space that matches the newer construction in the terminal. The FAA Airport Infrastructure Grant 95 provided an additional $3,119,242 for this project.

FINANCE/ADMINISTRATION

Port of Huntsville revenue-producing activities contributed $12,006,235 to the Capital Improvement Account. POH achieved a debt service coverage of 6.54. The FY22 financial audit was completed with zero deficiencies.

The IT department successfully completed TSA-mandated Cybersecurity Self-Assessment, Remediation Plan, and the Incident Response Plan.

OPERATIONS

HSV charted at No. 21 in the continental U.S. for international air cargo volume in a 2022 report by Airports Council International. HSV moved 56,000 metric tons of air cargo received from or bound for international destinations in 2022, a 5.4% increase over 2021. For comparison, the top airports moving over 665,000 metric tons of international cargo were Miami, Chicago O'Hare, Los Angeles, New York JKF, Memphis (home of FedEx) and Louisville (home of UPS).

The City of Huntsville Beautification Board continued recognition of three Port of Huntsville granite monuments and landscaping with Beautification Awards. Recognized were the Huntsville International Airport entrance on Glenn Hearn Blvd., the International Intermodal Center entrance on Wall Triana Blvd., and the Signature Flight Support entrance on Houston Goodson Way.

Huntsville International Airport was recognized by *Business Alabama* as a Finalist for the DreamChaser Runway project in the publication's inaugural statewide BA Awards program.

HSV supported the first Paracycling Road World Cup to be held in the United States as a member of the Huntsville UCI Paracycling Transportation subcommittee. The Paracycling World Cup was held in April 2023 and brought hundreds of elite athletes from more than 30 countries through HSV along with their highly customized equipment. Athletes competing in the World Cup had the opportunity to advance to represent their countries in the 2024 Paralympic Games in Paris.

The Airport completed several major pavement projects in FY23 including the completion of the $2.7 million Air Cargo Apron Rehabilitation Project.

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What's Next in FY24

The Port of Huntsville is well into an extensive list of capital improvement projects forecasted in the previous fiscal year. Projects tell a story, and the narrative is that the Port of Huntsville is experiencing rapid growth in industry and passenger volume. The budget for projects under contract or under construction totals $62,071,261. Here is a list of the projects slated for FY24:

- **New Employee Parking Lot**
  - Expected Completion: December 2023
  - Contractor: Wiregrass Construction
  - Engineer: Sain Associates
  - Budget: $3.2 million
- **Cell Phone Waiting Lot**
  - Expected Completion: December 2023
  - Contractor: Wiregrass Construction
  - Engineer: Sain Associates
  - Budget: $730,000
- **Air Cargo Warehouse**
  - Expected Completion Date: Winter 2023
  - Contractor: Fite Building Company
  - Architect: Barge Design Solutions
  - Budget: $17 million
- **Concourse connector project**
  - Ramp Usage Start: November 2023
  - Ramp Usage End: December 2024
  - Contractor: Robins & Morton
  - Architect: EDT-THA Architecture
  - Budget: $13.99 million
- **Taxiway W Rehabilitation**
  - Start Date: February 5, 2024
  - Phase 1 Completion: July 2024
  - Contractor: Wiregrass Construction
  - Engineer: Morell Engineering
  - Budget $9.2 million
- **Signature Aviation Terminal Expansion**
  - Expected Completion: August 2024
  - Contractor: Robins & Morton
  - Budget: $12.1 million
- **F2 Connector Relocation**
  - Start Date: September 2024
  - Completion Date: November 2024
  - Contractor: SJ&L General Contractors
  - Engineer: Barge Design Solutions
  - Budget: $2.8 million
- **Rental Car Surface Return Lot**
  - Start Date: December 2023
  - Contractor: Robins & Morton
  - Architect: KPS Group
  - Budget: $3 million
- **Perimeter Fence Replacement**
  - Start Date: TBD
  - Contractor: TUSCO
  - Architect: Goodwyn, Mills, Cawood
  - Budget: $800,000

Additional capital improvements totaling more than $80.1 million are anticipated to begin construction or design in FY24.

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Letter from the Chairman and CEO

It's become customary in the aviation industry to compare growth against the benchmark of 2019: a year of record-breaking profitability bolstered by a strong economy and the last full year unaffected by the world's recent COVID pandemic. At Huntsville International Airport, we are pleased to announce that our commercial passenger traffic and availability of seats and service have made a full recovery compared to 2019 and are bounding toward another record-breaking year in 2023.

As a result of this recovery, HSV is seeing one of its best financial periods ever in fiscal year 2023. On the commercial airside, the addition of routes from HSV to four desirable leisure destinations has elevated our reputation beyond that of an airport catering primarily to the business traveler. American Airlines brought back nonstop Miami service this year to enthusiastic reception. Breeze Airways continues to fulfill our hopes for its potential. Offering nonstop flights to Tampa, Orlando and Las Vegas and with lower fares than legacy carriers, Breeze has made an impact on the travel patterns in our market as well as exerted downward pressure on higher fares. Even though introducing a startup airline to the community presents challenges – to say nothing of doing so in a COVID year – we have found that once passengers gave Breeze a try, they loved the new jets, cheerful service and low prices. Breeze launched leisure routes in FY23 from Huntsville to Las Vegas and Orlando, and the community has eagerly supported them. What this tells us and Breeze leadership is that Huntsville is a good model for their business plan.

On the non-commercial flight side of the airport, Signature Aviation is investing $12 million in an expansion of their existing terminal. This investment will renovate the terminal and create a modern, aesthetically attractive building that receives executive decision-makers and a variety of leaders in industry, entertainment and government. Corporate leaders representing large commercial interests from Federal to private industries researching investment in Huntsville and North Alabama will have a first look upon touchdown that matches our reputation for excellence and reflects the superlatives and firsts for which our community is known.

HSV has been able to invest $10 million in paving projects this past year. While these types of projects often go unnoticed, the investment in maintaining top-notch pavement on our runways, taxiways and parking lots is essential for the safety of our customers and staff. A new employee parking lot, which we broke ground on in FY23, will free space for a new rental car return lot, positioning us to grow our rental car business. A cell phone waiting lot, coming online in December 2023, will alleviate arrivals congestion in front of the terminal.

The Port of Huntsville – on which Huntsville International Airport sits – encompasses 7,400 acres and has been the site of increased commercial building activity. We saw ground-breaking events for a number of new buildings for Fanaco Fasteners, The Food Bank of North Alabama, auto supplier Custom Assembly, and others. These businesses and more like them are what we hope to attract, making for compatible land development near the airport. Our desired future contains further development of land on our western border that could beautifully accommodate warehousing and distribution centers in advantageous proximity to I-565 and the conveniences of air, rail and trucking cargo transportation available via our International Intermodal Center.

We are proud to present this annual report highlighting the achievements our team has secured and the great progress our organization has made in recovering from the pandemic years of 2020-2022. There is much to celebrate at the Port of Huntsville, and we look forward to the good things that 2024 will bring as we become an even more robust economic driver for North Alabama. We are grateful for your support as we continue to carry out the mission of the Port of Huntsville: To provide quality, multi-modal transportation services to a diverse regional customer base and to stimulate the economic growth and development of the Tennessee Valley region.

Philip W. "Trey" Bentley III, Board Chair

Luther "Butch" Roberts, CEO

2023 Annual Report for Port of Huntsville

Board of Directors

Pictured from left to right: Philip W. (Trey) Bentley, III – Chairman; Joey Ceci – Vice Chair; LaFreeda Jordan – Secretary/Treasurer; Carl J. Gessler, Jr. M.D. – Vice-Secretary; Mark McDaniel – Member

Executive Team

Pictured from left to right: Luther “Butch” Roberts – Chief Executive Officer; Kevin Vandeberg – Chief Operating Officer; Bob Pro – Chief Finance Officer; Amy Murphree – Chief Legal Officer; Barbie Peek – Chief Business Development Officer; Jim Flowers – Chief Design and Construction Officer

Madison County Commission

Pictured from left to right: Commissioner Phil Riddick, District 5; Commissioner Steve Haraway, District 2; Commissioner Violet Edwards, District 6; Chairman Mac McCutcheon; Commissioner Tom Brandon, District 1; Commissioner Craig Hill, District 3; Commissioner Phil Vandiver, District 4

Huntsville City Council

Pictured left to right: John Meredith (District 5, Council President). Jennie Robinson (District 3, President Pro Tem); Bill Kling (District 4, Third Presiding Officer); David Little (District 2); Devyn S. Keith (District 1)

Leadership

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2023

CONTENTS

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American Institute C.P.A.s

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Huntsville-Madison County Airport Authority
Huntsville, Alabama

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the Huntsville-Madison County Airport Authority, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Huntsville-Madison County Airport Authority'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 and fiduciary activities of the Huntsville-Madison County Airport Authority, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Huntsville-Madison County Airport Authority 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.

Report on Summarized Comparative Information

We have previously audited the Huntsville-Madison County Airport Authority's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 11, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 Huntsville-Madison County Airport Authority'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 and *Government 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 and *Government 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 Huntsville-Madison County Airport Authority'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 Huntsville-Madison County Airport Authority'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 a management's discussion and analysis on pages 3 through 7, schedule of changes in the net pension liability on page 36, schedule of employer contributions - pension on page 37, schedule of changes in the net OPEB liability on page 38, schedule of the net OPEB liability on page 39, schedule of employer contributions - OPEB on page 40 and schedule of investment returns - OPEB on page 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Huntsville-Madison County Airport Authority's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2023, on our consideration of the Huntsville-Madison County Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Huntsville-Madison County Airport Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Huntsville-Madison County Airport Authority's internal control over financial reporting and compliance.

Mercer & Associates, PC

October 17, 2023

MANAGEMENT'S DISCUSSION & ANALYSIS

This discussion and analysis of the Huntsville-Madison County Airport Authority (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the Authority's financial statements and notes to the financial statements, which immediately follow this analysis.

Airport Activities and Highlights

Passenger traffic at Huntsville International Airport has returned to pre-COVID-19 levels near the end of FY23. Annual passenger traffic increased in FY23 by 15.9%. We expect growth to continue through FY24. As economic conditions stabilized during FY23, the Authority continues to be able to pay operating expenses and meet its debt covenant requirements without issue. The Authority expects some of the issues impacting the industry (staffing and escalating costs) to continue during FY24 but should not impact the ability to manage its operating expenses and debt covenant requirements.

As of June 30, 2023, the Huntsville International Airport was served by American Airlines, Breeze Airways (began in 2021), Delta Air Lines, Silver Airways and United Airlines, directly or through their affiliates. At the date of this report, non-stop passenger service is provided to Atlanta, Charlotte, Chicago, Dallas, Denver, Detroit, Houston, Las Vegas, Orlando, Tampa and Washington D.C. (Dulles and Reagan). Air cargo carriers in 2023 included Atlas, Cargolux, National, Western Global, Federal Express and UPS. Air cargo service includes domestic destinations as well as international destinations in Luxembourg, Hong Kong, Korea, Cambodia and Brazil.

The following charts highlight selected key activities of the Authority:

	FY 23	FY 22	Difference	% Diff.
Enplanements	658,194	581,887	76,307	13.1%
Landed Weight-Air Carriers (000 pounds)	771,521	713,597	57,924	8.1%
Landed Weight-Air Cargo (000 pounds)	324,227	344,515	-20,288	-5.9%
Air Carrier Landings	10,059	9,374	685	7.3%
Rail Lifts	24,535	22,062	2,473	11.2%
Air Carrier Enplanements Share				
American Airlines	42.6%	39.7%	2.9%	
Delta Air Lines	34.4%	35.6%	-1.2%	
United Airlines	18.5%	19.7%	-1.2%	
Frontier Airlines	0.0%	2.0%	-2.0%	
Silver Airways	1.6%	1.2%	0.4%	
Breeze Airways	2.9%	1.8%	1.1%	
Air Carrier Load Factors (July 2023/2022)				
American Airlines	83.1%	75.1%	8.0%	
Delta Air Lines	84.2%	80.0%	4.2%	
United Airlines	89.8%	88.3%	1.5%	
Frontier Airlines	0.0%	70.0%	-70.0%	
Silver Airways	64.7%	81.9%	-9.2%	
Breeze Airways	63.3%	66.0%	-2.7%	

Rail lifts increased in 2023, about 11 percent, as the global supply chain continues to recover from the disruption caused by the COVID-19 pandemic.

Using the Financial Statements - An Overview for the User

The financial section consists of five parts - management's discussion and analysis (this section), the independent auditors' report, the basic financial statements, required supplemental information and other supplemental information.

Analysis of the Airport Authority's Overall Financial Position

Net position may serve over time as a useful indicator of an organization's financial position.

- The Authority's assets and deferred outflows exceeded liabilities and deferred inflows, or "Net Position," by $404.3 million at June 30, 2023.

- These figures include the Authority's net investment in capital assets totaling $311.2 million at June 30, 2023. The Authority uses these capital assets to provide services to the airlines, passengers and to service providers at the Airport; consequently, these assets are not available for future spending. Although the Authority's equity in its capital assets is reported net of related debt, the resources required to repay this debt must be provided annually from operations, since it is unlikely the capital assets themselves will be liquidated to pay liabilities.

- The use of certain assets is restricted by external requirements, such as by federal law or bond covenants. Restricted net position was $14.2 million at June 30, 2023, an increase of $2.3 million from 2022.

- The Authority made payments on long-term debt totaling $3.2 million in 2023.

Summary of Net Position

	2023	2022
Current assets	$91,210,807	$90,637,873
Restricted assets	13,312,219	12,121,228
Property and equipment, net of accumulated depreciation	324,756,246	323,510,061
Other assets	27,741,180	9,159,451
Total Assets	**457,020,452**	**435,428,613**
Deferred Outflows of Resources	**5,615,608**	**2,805,188**
Current liabilities	8,755,228	6,408,129
Current liabilities, payable from restricted assets	3,451,680	3,387,134
Long-term debt, net of current portion	10,259,692	13,576,324
Other liabilities	5,892,648	2,204,109
Total Liabilities	**28,359,248**	**25,575,696**
Deferred Inflows of Resources	**29,964,476**	**11,459,323**
Total Net Position	**$404,312,336**	**$401,198,782**

- Unrestricted Net Position, which may be used at the Authority's discretion to meet ongoing obligations to passengers and other airport users, creditors and for future operations decreased $3.7 million in 2023.

Summary of Revenue, Expenses and Changes in Net Position

	2023	2022
Operating Revenues		
Airport	$33,508,862	$28,715,567
Industrial Park	90,391	94,464
Hotel	4,433,299	3,104,157
Other	63,000	63,000
Total Operating Revenues	**38,095,552**	**31,977,188**
Operating Expenses		
Airport	20,491,938	16,109,357
Industrial Park	699,965	658,555
Hotel	3,524,483	2,411,921
Other	1,041,091	629,558
Total Operating Expenses	**25,757,477**	**19,809,391**
Excess of Operating Revenue	12,338,075	12,167,797
Depreciation	19,820,370	19,278,269
Net Operating Income (Loss)	**(7,482,295)**	**(7,110,472)**
Interest income	2,496,338	180,922
Interest, amortization and other expense and income	(288,323)	(288,211)
Federal, State and Local Grants	5,778,094	25,374,956
Passenger Facility Charges	2,609,740	2,481,794
Increase in Net Position	**3,113,554**	**20,638,989**
Net Position – Beginning	**401,198,782**	**381,736,242**
Prior Period Adjustment – See Note L	**-**	**(1,176,449)**
Net Position – Ending	**$404,312,336**	**$401,198,782**

Analysis of the Airport Authority's Operations

The results of this fiscal year's operations are reported in detail in the *Statement of Revenues and Expenses*, which are summarized above. The significant highlights are as follows:

- Most of the revenue of $38.1 million in 2023 was collected from users who benefited from services provided during the year, such as airlines, concessionaires, passengers, tenants, pilots using hangars and other users. About 29 percent of 2023 revenues were earned directly from the passenger airlines.

- Continued recovery from prior year impacts of the COVID-19 pandemic resulted in an $6.1 million increase in operating revenues compared to 2022. Operating expenses in 2023 were $5.9 million more than 2022.

- The 2023 net operating loss was $7.5 million. If depreciation expense is not considered, the net operating income was $12.3 million, compared to $12.2 million in 2022, an increase of $0.1 million.

- The Authority received $0.2 million of Federal financial assistance under the American Rescue Plan Act and Coronavirus Response and Relief Appropriations Act. Federal and state grants funded capital projects totaling $5.6 million in 2023.

- Passenger facility charges of $2.6 million were collected in 2023.

Analysis of Airline Rates and Charges

At the beginning of each fiscal year, the Authority approves a Statement of Policy regarding Airline Use and Occupancy of Airport Facilities and Periodic Adjustment of Airline Rentals, Fees and Charges that establishes how the airlines will be assessed annual rates and charges for their use of the Airport. The policy includes a methodology for fueling, security and facilities charges.

The Authority also has the ability under the Agreement to adjust airline rates and charges at any time throughout the year to ensure adherence to all financial covenants in its bond resolutions. No such adjustments were required during 2023. Airfield landing fees and terminal rental rates billed by the Airport are adjusted based on an annual year end settlement calculation for the landing fee and the terminal rental rate based on actual income and expenditures allocated to the cost centers.

The airline cost per enplanement calculated after the settlement of all rates and charges was $14.40 in 2023.

Capital Acquisitions and Construction Activities

The Authority expended $21.2 million on capital assets in 2023, for which the major projects were: Air Cargo Access Road Rehabilitation/Extension for $2.1 million, Air Cargo Ramp Rehabilitation for $2.2 million and IIC Air Cargo Building for $10.5 million. Acquisitions are funded primarily with Federal grants, Airport operating revenues and PFC charges.

Long Term Debt Administration

A summary of the bonds payable by the Authority and outstanding payable from airport operations or, in the case of the PFC bonds, the PFC charges, were as follows:

Issue / Interest Rates	June 30, 2023	June 30, 2022
Airport Revenue Bonds–2010-A /2.0-4.4%	$980,000	$1,920,000
Airport Revenue Bonds–2016 /2.51%	9,115,000	10,005,000
PFC Bond-2017 /1.98%	3,479,336	4,870,870
Total Face Amount of Airport Bonds	**$13,574,336**	**$16,795,870**

Bond Insurance

The 2010-A Issue is insured by Assured Guaranty Municipal Corp.

Passenger Facility Charges (PFC)

The Authority collected a PFC of $4.50 per enplaned passenger. During the current year, the Authority collected a total of $2.6 million in PFCs. Passengers pay PFCs on the first two and last two portions of any trip. No PFCs are collected from non-revenue passengers such as a passenger using a frequent flier award ticket. PFCs are used for expenditures approved by FAA based upon formal request by the Authority. For further details, see the Schedule of Passenger Facility Charges in the Compliance Section of this report.

Financial Statements

The Authority's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Authority's operating activities are structured as a single enterprise fund with revenues recognized when earned and expenses are recognized when incurred. Capital assets are capitalized and (except land) are depreciated over their useful lives. Amounts are restricted for debt service, passenger facility charges, FAA expenditures and, where applicable, for construction activities. See the notes to the financial statements for a summary of the Authority's significant accounting policies.

Request for Information

This Management's Discussion and Analysis is designed to provide information about the Authority's operations to those with an interest in the Authority's financial affairs. Questions concerning any of the information provided in this report or any request for additional information should be addressed to the Chief Financial Officer at 256-772-9395.

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2023	Summarized 2022
Current Assets		
Cash and cash equivalents (Notes A & B)	$ 81,042,548	$ 72,435,480
Accounts receivable, net allowance for doubtful accounts	2,079,782	2,121,264
Investment interest receivable	149,577	4,072
Grants receivable	6,308,480	14,543,371
Inventories	1,158,423	1,111,033
Prepaid expenses	471,997	422,653
Total Current Assets	91,210,807	90,637,873
Restricted Assets		
Restricted cash and short-term investments	13,312,219	12,121,228
Total Restricted Assets	13,312,219	12,121,228
Property and Equipment (Note A & I)		
Land	45,689,745	45,687,696
Structures and improvements	499,658,404	493,830,827
Furniture and equipment	31,414,247	30,939,758
Construction in progress	18,608,635	4,054,508
Total	595,371,031	574,512,789
Less: Accumulated depreciation	270,614,785	251,002,728
Total Property and Equipment	324,756,246	323,510,061
Other Assets		
Net pension asset (Note F)	0	1,101,317
Lease receivable	27,741,180	8,058,134
Total Other Assets	27,741,180	9,159,451
Total Assets	457,020,452	435,428,613
Deferred Outflows of Resources		
Losses on debt refundings	0	22,901
Deferred outflows related to OPEB	793,316	758,518
Deferred outflows related to pension	4,822,292	2,023,769
Total Deferred Outflows of Resources	5,615,608	2,805,188
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 462,636,060	$ 438,233,801

See notes to financial statements.

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2023	Summarized 2022
Current Liabilities		
Accounts payable	$ 5,279,515	$ 2,942,331
Accrued expenses	2,062,556	2,033,864
Retainage payable	1,363,605	1,382,382
Unearned income and deposits	49,552	49,552
Total Current Liabilities	8,755,228	6,408,129
Current Liabilities Payable From Restricted Assets (Note C)		
Accrued expenses	137,036	167,588
Current portion of long-term debt	3,314,644	3,219,546
Total Current Liabilities Payable From Restricted Assets	3,451,680	3,387,134
Long-Term Debt, Net of Current Portion (Note C)		
Bonds payable	10,259,692	13,576,324
Total Long-Term Debt, Net of Current Portion	10,259,692	13,576,324
Other Liabilities		
Net pension liability (Note F)	3,644,998	0
Net OPEB liability (Note K)	2,247,650	2,204,109
Total Other Liabilities	5,892,648	2,204,109
Total Liabilities	28,359,248	25,575,696
Deferred Inflows of Resources		
Deferred inflows related to OPEB	0	0
Deferred inflows related to pension	1,473,596	2,651,489
Deferred inflows - leases	27,741,180	8,058,134
Deferred inflows - land sales	749,700	749,700
Total Deferred Inflows of Resources	29,964,476	11,459,323
Net Position		
Net investment in capital assets	311,181,910	306,714,191
Restricted for:		
Debt service	3,743,711	3,824,691
Passenger facility charges	4,763,356	3,549,902
FAA expenditures	91,197	1,535
Other grants	50,000	50,000
Capital projects	5,545,798	4,458,515
Unrestricted	78,936,364	82,599,948
Total Net Position	404,312,336	401,198,782
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 462,636,060	$ 438,233,801

See notes to financial statements.

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	2023	Summarized 2022
Operating Revenue		
Airport	$ 33,508,862	$ 28,715,567
Industrial Park	90,391	94,464
Hotel	4,433,299	3,104,157
Other	63,000	63,000
Total Operating Revenue	38,095,552	31,977,188
Operating Expenses		
Airport	20,491,938	16,109,357
Industrial Park	699,965	658,555
Hotel	3,524,483	2,411,921
Other	1,041,091	629,558
Total Operating Expenses	25,757,477	19,809,391
Excess of Operating Revenue	12,338,075	12,167,797
Depreciation	19,820,370	19,278,269
Operating Income (Loss)	(7,482,295)	(7,110,472)
Other Revenue and Expenses		
Interest income - Airport Operations	1,949,322	164,530
Interest income - Industrial Park	467,599	15,000
Interest expense	(379,958)	(469,146)
Gain (loss) on sale of land and equipment	116,730	477,970
Federal grants (Note A)	5,778,094	25,031,701
State grants	0	343,255
Passenger facility charges	2,609,740	2,481,794
Interest income on passenger facility charges	79,417	1,392
Other revenue and expense items	(25,095)	(297,035)
Change in Net Position	$ 3,113,554	$ 20,638,989

See notes to financial statements.

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	2023	Summarized 2022
Net Position, Beginning of Year	$ 401,198,782	$ 381,736,242
Prior Period Adjustment, See Note L	0	(1,176,449)
Net Position, Beginning of Year, Restated	401,198,782	380,559,793
Change in Net Position	3,113,554	20,638,989
Net Position, End of Year	$ 404,312,336	$ 401,198,782

See notes to financial statements.

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	2023	Summarized 2022
Cash Flows from Operating Activities:		
Received from customers	$ 38,137,034	$ 31,522,173
Paid to suppliers for goods and services	(17,216,066)	(8,576,554)
Paid for employee services	(9,186,048)	(10,025,980)
Other receipts / (payments)	0	0
Net Cash Provided (Used) by Operating Activities	11,734,920	12,919,639
Cash Flows from Non-Capital Financing Activities:		
Federal grants	9,369,227	2,413,455
Net Cash Provided (Used) by Non-Capital Financing Activities	9,369,227	2,413,455
Cash Flows from Capital Financing Activities:		
Federal, state and local grants	4,618,663	17,741,588
Passenger facility charges	2,609,740	2,481,795
Interest earned on passenger facility charges	79,417	1,415
Principal paid on bonds	(3,221,534)	(3,134,637)
Interest paid on long-term debt	(387,609)	(475,726)
Proceeds from sale of property and equipment	228,418	572,938
Capital outlay	(17,504,599)	(19,680,378)
Net Cash Provided (Used) by Capital Financing Activities	(13,577,504)	(2,493,005)
Cash Flows from Investing Activities:		
Interest income	2,271,416	178,746
Net (funding) receipt of restricted passenger facilities charges cash	(1,213,454)	(1,007,504)
Net (funding) receipt of restricted deposits	22,463	3,179,200
Net Cash Provided (Used) by Investing Activities	1,080,425	2,350,442
Net change in cash and cash equivalents	8,607,068	15,190,531
Cash and cash equivalents at beginning of year	72,435,480	57,244,949
Cash and cash equivalents at end of year	$ 81,042,548	$ 72,435,480
Noncash transactions:		
Write-off of capital assets	$ 156,473	$ 0

See notes to financial statements.

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

	2023	Summarized 2022
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating Income (Loss)	$ (7,482,295)	$ (7,110,472)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	19,820,370	19,278,269
Other receipts/payments	0	0
Capitalized wages	(252,407)	(246,626)
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources		
Accounts receivable	41,482	(455,015)
Accounts payable	(1,115,444)	1,242,340
Accrued liabilities	41,306	162,317
Prepaid items	(49,344)	2,118
Inventory	(47,390)	(207,885)
Pension items	813,440	468,024
OPEB items	(34,798)	(213,431)
Net Cash Provided (Used) by Operating Activities	$ 11,734,920	$ 12,919,639

See notes to financial statements.

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023

	2023	Summarized 2022
ASSETS		
Cash and cash equivalents	$ 33,115	$ 36,892
Interest/dividends receivable	550	274
Contributions receivable	0	0
Investments, fair value		
Bond mutual funds	818,273	829,025
Total Assets	851,938	866,191
LIABILITIES		
Accounts payable	0	0
Total Liabilities	0	0
NET POSITION		
Net position - restricted for other post-employment benefits	$ 851,938	$ 866,191

See notes to financial statements.

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	2023	Summarized 2022
Additions		
Contributions:		
Employer	$ 207,259	$ 220,367
Plan members	82,079	78,917
Total contributions	289,338	299,284
Investment earnings/(loss)	(9,332)	(67,268)
Less investment expenses	4,921	5,279
Net investment earnings	(14,253)	(72,547)
Total Additions	275,085	226,737
Deductions		
Benefits	289,338	259,284
Total Deductions	289,338	259,284
Change in Net Position	(14,253)	(32,547)
Net Position, Beginning of Year	866,191	898,738
Net Position, End of Year	$ 851,938	$ 866,191

See notes to financial statements.

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity - The Huntsville-Madison County Airport Authority (the Authority), a public corporation, applied for and received permission to reincorporate on October 10, 1991, under Title 4 of the Code of Alabama, 1975 as amended in the 1991 session. The Authority consists of a five-member Board of Directors, of which two are appointed by the City Council of Huntsville, Alabama, two by the Madison County Commission and one jointly by the City Council and County Commission. The Authority is considered an enterprise fund that has financial accountability over the Huntsville International Airport and is the primary government for reporting purposes. The Authority is not considered a component unit of any other governmental reporting entity. In addition, there are no component units over which the Authority exercises control. Fiduciary fund financial statements are presented for the activities of the Authority's post-retirement medical benefits plan, which accumulates resources for post-employment benefit payments to qualified employees.

The Authority has the following operating divisions for presentation purposes:

- Airport Operations include all aeronautical and non-aeronautical activities of the public airport operations, including the air cargo and rail activities at the Intermodal Center.
- The Industrial Park includes investments and property that are leased or held for future development of industrial and commercial tenants engaged in activities unrelated to the Authority's public airport operations. As described in Note G, financing leases with the industrial park tenants are not recorded in the Authority's financial statements.
- The Four Points Hotel is owned by the Authority and operated by a managing agent as described in Note D.
- Other minor activities not classified in the above.

The financial section of the financial statements consists of five parts - *management's discussion and analysis*, the *independent auditors' report*, the *basic financial statements*, *required supplemental information*, and *other supplemental information*.

Accounting Principles - The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Revenue - Revenue is recognized as billed to airport users based on usage rates or rental agreements adopted by the Authority's Board. Related expenditures are charged against revenue when incurred.

Reserve for Doubtful Accounts - A reserve for doubtful accounts is established for those accounts considered, by management, to be doubtful of collection. At June 30, 2023, $165,921 has been reserved as doubtful.

Passenger Facility Charges - Passenger Facility Charges (PFC) are recognized as collected. Accrual of PFC revenue is not reasonably measurable; therefore, no accrued PFC revenue is recognized.

Governmental Grants – Grant proceeds are recognized as revenue in the current year. Most FAA grants are for capital project purposes and are recognized in revenues and as additions to assets. During the year ended June 30, 2022, the Authority was awarded an Airport Rescue Grant in accordance with the American Rescue Plan Act FAA. During the year ended June 30, 2021, the Authority was awarded an Airport Coronavirus Response Grant Program (ARCGP) in accordance with the Coronavirus Response and Relief Appropriations Act (CRRSA). These grants are through the FAA for reimbursement of costs related to operations, personnel, cleaning, sanitization, janitorial services, combating the spread of pathogens at the airport and debt service payments. Grants are accrued as partial completion of grant requirements are met, and grant proceeds receivable are credited directly as grant income.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories - Inventories are stated at the lower of cost or market, on a first in, first out basis.

Advertising – Advertising costs are expensed as incurred.

Investments - The Authority is legally authorized to invest in obligations of the U.S. Treasury and securities of federal agencies.

Deferred Outflows/Inflows of Resources - The Authority has deferred outflows and inflows of resources. Deferred outflows of resources is a consumption of assets by the Authority that is applicable to a future reporting period and consist of employer pension contributions subsequent to the September 30, 2022, measurement date, other pension-related deferred outflows, OPEB-related deferred outflows, and losses on refundings of debt. Deferred inflows of resources is an acquisition of assets by the Authority that is applicable to a future reporting period and consist of contingent land sale proceeds, lease-related deferred inflows, pension-related deferred inflows, and OPEB-related deferred inflows.

Net Position – Net position on the Statement of Net Position includes the following:

Net Investment in Capital Assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for Debt Service – The component of net position that represents amounts required by debt covenants to be separated for debt service.

Restricted for Passenger Facility Charges – The component of net position that represents passenger facility charge revenue in excess of expenditures.

Restricted for FAA Expenditures – Land sales from land purchased with PFC, FAA noise or other federal funds are designated as restricted until proceeds are used for FAA-approved expenditures.

Restricted for Other Grants – The component of net position that represents amounts restricted by grant requirements.

Restricted for Capital Projects – The component of net position that represents revenue collected from airlines that is restricted for capital projects.

Unrestricted – Net position that is not reported in Net Investment in Capital Assets or Restricted Net Position.

Airport Property and Equipment- Property and equipment are stated at cost, less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives of plant and equipment items range from 40 years for buildings, 20 to 40 years for roads and field improvements, and 3 to 10 years for furniture and equipment. Land is not depreciated.

Maintenance and repairs are charged to operations in the period incurred. The costs and accumulated depreciation of properties disposed of are removed from the related asset accounts and the difference is recorded as an expense in the period of disposition.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases - Right-to-use leased assets are recognized at the lease commencement date and represent the Authority's right to use an underlying asset for the lease term. Right-to-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right-to-use leased assets are amortized over the lease term using the straight-line method. A corresponding lease liability is recognized at the lease commencement date based on the present value of the expected lease payments to be paid over the lease term. The lease liability is reduced as principal payments are made on the liability. Short-term leases have a lease term of twelve months or less. Short-term lease payments should be recognized as an outflow of resources based on the payment provisions in the lease contract.

Subscription-Based Information Technology Arrangements - Right-to-use subscription assets are recognized at the commencement of the subscription term. Right-to-use subscription assets are measured at the initial value of the subscription liability plus any prepayments and qualifying implementation costs. A corresponding subscription liability is recognized at the subscription commencement date based on the present value of the expected subscription payments required to be paid over the subscription term. The subscription liability is reduced as principal payments are made on the liability. For short-term subscription contracts (with a maximum term of twelve months or less), the government will recognize short-term subscription payments based on the payment provisions in the contract.

Pensions - The Employees' Retirement System of Alabama (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 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.

Post-Employment Benefits Other than Pensions (OPEB) - The Post-Retirement Medical Plan financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Post-Employment Benefits Trust and additions to/deductions from the Post-Employment Benefits Trust's fiduciary net position. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable.

Annual leave accruals – A liability is recorded at June 30 for accrued vacation, accrued salaries and the estimated portion of accrued sick leave to be paid to employees at retirement. The liability is based on personnel policies for vacation and sick leave.

Statement of Cash Flows - For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments purchased with maturities of 90 days or less to be cash equivalents, except restricted funds.

Estimates – Preparation of financial statements in conformity with U.S. generally accepted accounting principles requires use of management's estimates. Management has made estimates related to accruals of revenues and expenses.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summarized comparative information - The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

NOTE B - CASH, INVESTMENTS AND RESTRICTED TRUST FUNDS

At June 30, 2023, unrestricted deposits on hand at banks and in certificates of deposit were fully collateralized by banks qualifying under the Security for Alabama Funds Enhancement Act (SAFE) as qualified public depositories. Funds held by the banks' trust departments or agents are invested in U.S. Government securities or are secured by U.S. Government Securities.

The unrestricted funds may be invested at the discretion of the Authority in accordance with state law. The Authority has invested $15,034,904 in certificates of deposit as of June 30, 2023, as follows:

Amount	Interest rate	Maturity Date
$5,000,000	4.65%	9/8/2023
$5,000,000	4.75%	11/24/2023
$5,034,904	4.65%	9/8/2023

The restricted funds may be invested at the discretion of the Authority in accordance with state law and the related trust indentures. The restricted trust funds are invested by their respective trustees (as authorized by related trust indentures). Funds invested in the trustee's U.S. Government security money market accounts and other U.S. Government secured investments are part of the funds held by trustees.

Market value equals carrying value for these unrestricted and restricted accounts. When the Authority incurs an expenditure for which it may use either restricted or unrestricted assets, restricted assets are used.

	June 30, 2023
Unrestricted	
Cash and short-term savings	$ 66,007,644
Certificates of deposit	15,034,904
	$ 81,042,548
Restricted cash and short-term investments	
Trust funds, Airport Operations	$ 3,880,154
FAA land	4,668,709
Passenger facility charges	4,763,356
	$ 13,312,219

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable input. The Authority has the following recurring fair value measurements as of June 30, 2023: Bond mutual fund cash equivalents and investments, held by the Post-Employment Benefits Trust, of $851,387 are valued using quoted market prices (Level 1 inputs); restricted bond funds invested in short-term U.S. Treasury Obligations of $3,880,154 are valued using quoted market prices (Level 1 inputs).

NOTE B - CASH, INVESTMENTS AND RESTRICTED TRUST FUNDS (CONTINUED)

Post-Employment Benefits Trust

Investments - Post-Employment Benefits Trust investments at June 30, 2023, are detailed below.

Mutual Fund Sector	June 30, 2023
Mortgage-backed	$491,196
Treasury / Agency	247,264
Corporate	59,063
Other	53,864
	$851,387

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The fair value of fixed-maturity investments fluctuates in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those instruments. Interest rate risk is as follows:

Maturity (in years)	June 30, 2023
0 – 1	$24,194
1 – 3	158,535
3 – 5	119,842
5 – 10	36,443
10 – 20	144,923
More than 20	367,450
	$851,387

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Nationally recognized statistical rating organizations provide ratings of debt securities' quality based on a variety of factors, such as the financial condition of the issuers, which provide investors with some idea of the issuer's ability to meet its obligations. Credit risk is as follows:

Standard & Poor's Ratings	June 30, 2023
AAA	$775,188
AA	6,541
A	30,299
BBB	29,175
Not rated	10,184
	$851,387

Concentration of Credit Risk – The mutual funds owned by the Trust included held securities of the Federal National Mortgage Association and Federal Home Loan Bank that each indirectly represent more than five percent of the total assets of the Trust.

NOTE C - LONG-TERM DEBT

A summary of the bonds payable by the Authority and outstanding at June 30, 2023, from airport operations, or in the case of the PFC bonds, the PFC charges, are as follows:

Issue	June 30, 2022	Additions	Deletions and Reclassifications	June 30, 2023
Airport Revenue Bonds:				
Series 2010-A	$ 1,920,000	$ 0	$ (940,000)	$ 980,000
Series 2016	10,005,000	0	(890,000)	9,115,000
	11,925,000	0	(1,830,000)	10,095,000
Direct Placement:				
PFC Bond – 2017	4,870,870	0	(1,391,534)	3,479,336
Total Face Amount of Airport Bonds	16,795,870	0	(3,221,534)	13,574,336
Unamortized Premium/(Discount)	0	0	0	0
Total Long-Term Debt per Financial Statements	16,795,870	0	(3,221,534)	13,574,336
Less Current Portion	(3,219,546)	0	(95,098)	(3,314,644)
Net Long-Term Debt	$ 13,576,324	$ 0	$ (3,316,632)	$ 10,259,692

In April 2016, the Authority issued Airport Revenue Bonds Series 2016 for $14,150,000. Proceeds from the sale of the Series 2016 Bonds were used to currently refund Airport Revenue Bonds Series 2006. The Series 2016 Bonds were issued under the Ninth Supplemental Trust Indenture, which states additional requirements regarding funding of special trust funds originally created under the 1989 Trust Indenture, including a debt service reserve account. The purpose of the reserve fund is to provide a reserve in the event that revenues and receipts derived from the Authority are insufficient to pay the principal of and interest on the bonds.

In December 2010, the Authority issued Airport Revenue Bonds Series 2010-A for $10,175,000. Proceeds from the sale of the Series 2010-A Bonds were used to pay the cost of refunding the Authority's Airport Revenue Bonds, Series 1998 and the costs of issuing the Series 2010-A Bonds. The Series 2010-A Bonds were issued under the Eighth Supplemental Trust Indenture, which states additional requirements regarding funding of special trust funds originally created under the 1989 Trust Indenture.

The Series 2016 and Series 2010-A Airport Revenue Bonds will be payable solely out of the pledged revenues derived from operation of the airport remaining after payment of operating expenses as defined in the indenture. The indenture does not constitute a mortgage on any of the physical properties forming a part of the airport. None of the Bonds are general obligations of the Authority and do not constitute a personal charge against the general credit of the Authority. In an event of default, the principal and interest accrued may be declared immediately due and payable.

The Series 2016 Bonds are nontaxable bonds with a stated rate of 2.51% and with maturities ranging from July 1, 2017, to July 1, 2031. The Series 2010-A Bonds are nontaxable bonds with stated rates ranging from 2.0% to 4.5% and with maturities ranging from July 1, 2011, to July 1, 2023.

The Series 2016 Bonds shall be subject to redemption and payment, at the option of the Authority, on any date at a redemption price of 100% of the principal amount, plus accrued interest. The Series 2010-A Bonds having a stated maturity in 2021 and thereafter shall be subject to redemption and payment, at the option of the Authority, on July 1, 2020, and on any date thereafter at a redemption price of 100% of the principal amount, plus accrued interest.

NOTE C - LONG -TERM DEBT (CONTINUED)

In November 2017, the Authority issued its 2017 PFC Bond for $11,014,607 for the purpose of redeeming the 2010 PFC Bond and paying the costs of issuing the 2017 PFC Bond. The 2017 PFC Bond is a nontaxable bond with a stated rate of 1.98%, payable solely out of PFC collections in monthly payments of $122,975 through December 1, 2025. This Bond does not constitute a lien on, nor is it payable from, any other property or assets of the Authority. The principal of this Bond is subject to redemption and payment on or after November 1, 2022, at the option of the Authority, at the redemption price of 100%.

Bond issuance costs paid related to bond issues are recognized as expense in the period incurred.

There are no past current refunding transactions for which the refunded warrants are still outstanding at June 30, 2023. Losses realized on prior advance refundings are being amortized over the shorter of the life of the refunded or refunding debt. Unamortized losses on refundings are reported as the deferred outflows in the statement of net position.

The Series 1989 Trust Indenture, as supplemented by nine supplemental indentures, creates special trust funds. All pledged revenues are required to be deposited as received into the Revenue Fund, and moneys in such fund are required to be applied and allocated on a monthly basis in the manner and priority established by the Indentures. Funding requirements at June 30, 2023, have been met as set forth in the Indentures. The special funds and their balances are as follows:

Rebate Fund	$ 131,987
Bond Fund	2,143,979
Debt Service Reserve Fund	1,604,188
Restricted Trust Funds (Airport Operations)	$ 3,880,154
Operating Reserve Account (Considered Unrestricted)	$ 3,722,855
Revenue Fund (Considered Unrestricted)	$ 45,416,047

The Indentures also require the Authority to maintain adequate rates and charges in a manner that produces Net Revenues (as described therein) of not less than 1.25 times the current Annual Debt Service Requirement in the year that ends on July 1 each year, on all bonds issued under the Indenture.

Maturities for the Bonds due over the next five and succeeding fiscal years are as follows:

	2010-A	2017 PFC	2016	Total
2024	$ 980,000	$ 1,419,644	$ 915,000	$ 3,314,644
2025	0	1,448,010	935,000	2,383,010
2026	0	611,682	965,000	1,576,682
2027	0	0	985,000	985,000
2028	0	0	1,010,000	1,010,000
Succeeding	0	0	4,305,000	4,305,000
	$ 980,000	$ 3,479,336	$ 9,115,000	$ 13,574,336

NOTE C - LONG -TERM DEBT (CONTINUED)

Principal and interest payments for the Bonds due over their remaining lives are as follows:

Fiscal Year	Series 2010-A Principal	Series 2010-A Interest	Series 2017 PFC Principal	Series 2017 PFC Interest
2024	$ 980,000	$ 22,050	$ 1,419,644	$ 56,056
2025	0	0	1,448,010	27,690
2026	0	0	611,682	3,032
Total	$ 980,000	$ 22,050	$ 3,479,336	$ 86,778

Fiscal Year	Series 2016 Principal	Series 2016 Interest	Total Principal	Total Interest
2024	$ 915,000	$ 217,303	$ 3,314,644	$ 295,409
2025	935,000	194,086	2,383,010	221,776
2026	965,000	170,241	1,576,682	173,273
2027	985,000	145,768	985,000	145,768
2028	1,010,000	120,731	1,010,000	120,731
2029	1,035,000	95,066	1,035,000	95,066
2030	1,065,000	68,711	1,065,000	68,711
2031	1,085,000	41,729	1,085,000	41,729
2032	1,120,000	14,056	1,120,000	14,056
Total	$ 9,115,000	$ 1,067,691	$ 13,574,336	$ 1,176,519

NOTE D - OPERATING CONTRACTS AND LEASES

A summary of leases, other than short-term leases and certain regulated leases, in which the Authority is lessor at June 30, 2023, follows:

	Implicit Interest Rate	Lease Receivable June 20, 2023	Recognized Inflows Previously Included in Measurement of Lease Receivable	Variable and Other Payments Not Previously Included in Measurement of Lease Receivable
Air Cargo Bay A	3.75%	$609,856	$112,943	$0
Air Cargo Bay B	1.85%	123,509	109,583	0
Air Cargo Bay D	1.72%	455,956	109,150	0
Air Cargo Bay E	1.67%	206,096	106,741	0
Air Cargo Bay F	0.12%	292,295	291,944	0
Air Cargo Bay G	3.78%	5,638,693	603,817	0
Air Cargo Bay H	0.91%	2,764,908	834,426	0
JIP Ground Lease	4.49%	772,895	26,251	0
JIP Building/Ground	1.67%	209,789	77,335	0
Terminal tenant	4.41%	143,440	95,715	59,158
Terminal tenant	4.41%	17,253	5,586	0
Terminal tenant	1.57%	118,676	87,392	139,508
Terminal tenant	2.87%	289,252	203,323	0
Onsite Rental Car	4.03%	270,404	535,916	4,056,977
Golf Course	2.23%	170,358	58,492	0
General Aviation	4.25%	15,391,148	179,765	0
Ryder Building	1.67%	128,687	81,102	0
Land lease	2.13%	137,965	1,948	0
		$27,741,180	$3,521,429	$4,255,643

NOTE D - OPERATING CONTRACTS AND LEASES

Certain leases above included variable payments, which were not included in the initial measurement of the lease receivable. These leases include:

Terminal tenant with minimum payments of $99,000 annually. Additional variable payments are made based on the number of enplaned passengers.

Terminal tenant with minimum payments of $90,000 annually. Variable payments are made based on revenue. If in excess of minimum, payment of 10% of annual gross revenues, and 15% of annual gross revenue in excess of $1,500,000, is required.

Onsite rental car locations with minimum payments of $547,183 annually, including service facility rental fees of $97,182 and minimum annual concession fee of $450,000. Variable payments are made based on revenue and the number of rental car transactions. Additional concession fee of the excess of 9% of gross revenue over the minimum guarantee is required. A facility use fee of $9 on each rental car transaction made at or on account of operations at the Airport is assessed.

Total lease-related inflows of resources of $8,657,472 include lease revenue of $8,100,164 and interest revenue of $557,308.

The Authority issues an annual rate ordinance with the air carriers, which, among other provisions, requires the airline to pay landing fees based upon the total landing weight of all aircraft landed. The ordinance also sets rates for counter space, loading bridges, and fuel flowage required at the airport by the airline in its conduct of air transportation. Rates are determined based upon a formula that covers expenses, debt service, and capital expenditures.

The Authority has entered into separate short-term lease agreements with individuals related to use of hangars located at the airport based upon rate charges determined by the Authority. Total lease payments in fiscal year 2023 were $448,045. The Authority has entered into an operating agreement with Norfolk Southern Railway Company. The agreement, among other requirements, provides for payment of a fee per lift to the Intermodal Center for items transported by railroad under a revenue weigh bill.

The Authority has entered into a license agreement with The Sheraton LLC, a subsidiary of Marriott International, Inc., to operate the Authority's hotel facilities as the Four Points by Sheraton. The expiration of the agreement is December 31, 2030. The agreement requires certain franchise and marketing payments based on revenues. The Authority has entered into an agreement with a management company to manage the operations of the hotel, under which the Authority is obligated to pay the management company a base fee equal to three percent of revenue, and an incentive fee equal to fifty percent of the hotel's net operating profit as defined by the agreement. The initial term of the contract expired December 31, 2015, and has three five-year options to extend to December 31, 2030. On January 1, 2021, the second option period commenced.

NOTE E - COVID-19 IMPACTS

During the year ended June 30, 2022, the Authority was awarded an Airport Rescue Grant in accordance with the American Rescue Plan Act. During the year ended June 30, 2021, the Authority was awarded an Airport Coronavirus Response Grant Program (ARCGP) in accordance with the Coronavirus Response and Relief Appropriations Act (CRRSA). These grants are through the FAA for reimbursement of costs related to operations, personnel, cleaning, sanitization, janitorial services, combating the spread of pathogens at the airport and debt service payments. Grant funds of $169,211 were expended and recognized as federal grants in the year ended June 30, 2023.

NOTE F - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description - The Employees' Retirement System of Alabama (ERS), an agent multiple-employer 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. ERS issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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. 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 are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

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 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 are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation.

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 608 employers adopted Act 2019-132 as of September 30, 2022. The Authority has made this election, effective October 1, 2021.

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.

NOTE F - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Employees covered by benefit terms – At September 30, 2022, the following employees were covered by the benefit terms:

Retired members or their beneficiaries currently receiving benefits	51
Vested inactive members	5
Non-vested inactive members	16
Active members	121
	193

Contributions - Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute. 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. The Authority elected to come under the provisions of Act 2011-676 effective October 1, 2021.

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-retirement death benefit and administrative expenses of the Plan. For the year ended June 30, 2023, the Authority's average active employee contribution rate was 1.72% of covered employee payroll, and the Authority's average contribution rate to fund the normal and accrued liability costs was 1.36% of pensionable payroll.

The Authority's contractually required contribution rate for the year ended June 30, 2023, was 0.90% of pensionable pay for Tier 1 employee and 1.82% of pensionable pay for Tier 2 employees from July 1, 2022, through September 30, 2022, and 1.52% of pensionable pay for Tier 1 employees and 2.35% of pensionable pay for Tier 2 employees from October 1, 2022, through June 30, 2023. These required contribution rates are based upon the actuarial valuations dated September 30, 2019 and 2020, 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 Authority were $107,706 for the year ended June 30, 2023.

Net Pension Liability - The Authority's net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021, rolled forward to September 30, 2022, using standard roll-forward techniques as shown in the following table:

NOTE F - DEFINED BENEFIT PENSION PLAN (CONTINUED)

		Expected	Actual Before Plan Changes	Actual After Plan Changes
(a)	Total Pension Liability as of September 30, 2021	$31,165,862	$29,687,556	$28,699,614
(b)	Discount Rate	7.45%	7.45%	7.70%
(c)	Entry Age Normal Cost for the period October 1, 2021—September 30, 2022	595,526	595,526	614,718
(d)	Transfers Among Employers	0	(9,251)	(14,153)
(e)	Actual Benefit Payments and Refunds for the Period October 1, 2021—September 30, 2022	(1,484,555)	(1,484,555)	(1,327,593)
(f)	Total Pension Liability as of September 30, 2021 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5 * (b))]	$32,543,390	$30,945,699	$30,976,103
(g)	Difference Between Expected & Actual:		($1,597,691)	
(h)	Less Liability Transferred for Immediate Recognition		($9,251)	
(i)	Difference between Expected and Actual – Experience (Gain)/Loss		($1,588,440)	
(j)	Difference between Actual TPL Before and After Plan Changes – Benefit Change (Gain)/Loss			$30,404

Actuarial assumptions - The total pension liability as of September 30, 2022, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2021. The key actuarial assumptions are summarized below:

Inflation	2.50%
Projected salary increases	3.25% - 6.00%, 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:

Group	Membership Table	Set Forward (+)/ Setback (-)	Adjustment to Rates
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

NOTE F - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	Target Allocation	Long-Term Expected Rate of Return *
Fixed income	15.00%	2.8%
U.S. large stocks	32.00%	8.0%
U.S. mid stocks	9.00%	10.0%
U.S. small stocks	4.00%	11.0%
International developed market stocks	12.00%	9.5%
International emerging market stocks	3.00%	11.0%
Alternatives	10.00%	9.0%
Real estate	10.00%	6.5%
Cash	5.00%	1.5%
Total	100.00%	

* 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 pan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability	**Increase (Decrease)**		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability/ (Asset) (a-b)**
Balances at 9/30/2021	$31,165,861	$32,267,179	($1,101,317)
Changes for the year:			
Service cost	595,526		595,526
Interest	2,266,557		2,266,557
Changes of benefit terms	30,404		30,404
Changes of assumptions	0		0
Difference between expected & actual experience	(1,588,440)		(1,588,440)
Contributions--employer		88,531	(88,531)
Contributions--employee		540,534	(540,534)
Net investment income		(4,071,333)	4,071,333
Benefit payments, including refunds of employee contributions	(1,484,555)	(1,484,555)	0
Administrative expense	0	0	0
Transfers among employers	(9,251)	(9,251)	0
Net changes	(189,759)	(4,936,074)	4,746,315
Balances at 9/30/2022	$30,976,103	$27,331,105	$3,644,998

NOTE F - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the net pension liability to changes in the discount rate - The following table presents the Authority's net pension liability/(asset) calculated using the discount rate of 7.45%, as well as what the Authority's net pension liability/(asset) 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 Rate (7.45%)	1% Increase (8.45%)
Authority's net pension liability (asset)	$7,217,666	$3,644,998	$618,584

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, 2022. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2022. The auditor's report 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, 2023, the Authority recognized pension expense of $907,916. At June 30, 2023, the Authority 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	$695,857	$1,473,596
Changes of assumptions	733,573	0
Net difference between projected and actual earnings on plan investments	3,299,785	0
Employer contributions subsequent to the measurement date	93,077	0
Total	$4,822,292	$1,473,596

Employer Contributions subsequent to the measurement date of $93,077 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	$860,572
2025	645,283
2026	519,254
2027	1,307,661
2028	(77,151)
Thereafter	0

NOTE G - INDUSTRIAL PARK LEASES

The Authority has constructed facilities known as the Jetplex Industrial Park (JIP) for the benefit of certain industrial tenants and has leased the various facilities under direct financing leases. Revenue bonds were issued under various trust indentures which provide, among other things, that the revenues received from the leased JIP facilities be pledged for payment of the principal and interest of the applicable issue. The current annual rents are sufficient to cover the annual retirement and interest payments. The JIP financing leases have not been presented in the financial statements.

NOTE H - COMMITMENTS AND CONTINGENCIES

At June 30, 2023, the Authority has signed contracts for a number of construction projects. The projects include: payments and payables of $1.3 million on a $13.3 million contract for Elevator and Escalator Renovation, payments and payables of $1.0 million on a $3.3 million contract for Employee Parking and Cell Phone Waiting Parking Lots, payments and payables of $1.8 million on a $2.5 million contract for Air Cargo Access Road Extension and payments and payables of $10.9 million on a $15.1 million contract for Air Cargo Expansion. Certain of these costs are funded with grants from the Federal Aviation Administration (FAA), and the remainder from Authority funds, including bond proceeds and PFCs for approved projects.

The Authority is a party to certain legal actions arising in the ordinary course of the business. In management's opinion, the Authority has adequate legal defenses and/or insurance coverage respecting each of these actions and does not believe that they will materially affect the Authority's operations or financial position.

NOTE I - CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended June 30, 2023, follows:

	Balance July 1, 2022	Additions and CIP Reclassifications	Retirements and Reclassifications	Balance June 30, 2023
Land	$ 45,687,696	$ 2,049	$ 0	$ 45,689,745
Structures and improvements	493,830,827	5,976,498	148,921	499,658,404
Furniture and equipment	30,939,758	645,573	171,084	31,414,247
Construction in progress	4,054,508	21,050,243	6,496,116	18,608,635
Total at historic cost	574,512,789	27,674,363	6,816,121	595,371,031
Less Accumulated Depreciation for:				
Structures and improvements	229,381,143	18,504,113	37,230	247,848,026
Furniture and equipment	21,621,585	1,316,258	171,084	22,766,759
Total accum. depreciation	251,002,728	19,820,371	208,314	270,614,785
Capital Assets, Net	$ 323,510,061	$ 7,853,992	6,607,807	$ 324,756,246

NOTE J - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and natural disasters. The Authority has insurance for its buildings and contents through commercial insurance. Settled claims in the past three years, if any, have not exceeded the commercial insurance coverage.

NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan description - The Authority has established the Post-Employment Medical Benefits Plan ("Plan") to provide employees and their dependents with health care benefits after retirement. Under the Plan, retirees may purchase health insurance coverage through the Authority's then current health plan insurer. The Plan is a single-employer plan administered by the Authority and its board of directors, for which the Authority has established the Post-Employment Benefits Trust ("OPEB Trust") for the accumulation of resources to pay future benefits under the Plan. The OPEB Trust assets are held and managed for the Authority by a financial institution trustee.

Benefits provided - An employee who elects to retire under the State's retirement system may elect health insurance for him/her and any eligible dependent through the health plan insurer. The employee must elect coverage prior to retirement. The retiree and dependent's coverage end in the event (1) the retiree dies or (2) the retiree no longer elects or is no longer eligible to continue coverage. The retiree and dependents pay a portion of the health plan premiums as determined by the Authority during the annual budget, and the Authority pays the balance. Effective August 1, 2022, the pre-Medicare retiree and dependent premium requirement is $246 and $421 per month, respectively. As of that date, the total monthly premium is $1,117 for the retiree and $2,043 for family coverage. Upon reaching age 65, the retiree and dependents may continue coverage, but the retiree bears the entire cost of the premiums.

OPEB trust - Regarding the OPEB Trust, (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employers or plan administrator, for the payment of benefits in accordance with the terms of the plan. As stated above, the trust was created in June 2009 and has been funded every year. At June 30, 2023, the Trust Fund balance was $851,938; the employer contribution for 2023 was $207,259. The most recent actuarial valuation was made as of September 30, 2022. Assets of the plan and its financial statements are available by contacting the Authority.

Refer to Note B for detailed disclosures about the OPEB Trust investments and concentration of credit risk.

Membership - At September 30, 2022, membership of the Plan consisted of the following:

Retirees and beneficiaries currently receiving benefits	25
Retirees entitled to but not yet receiving benefits	0
Active employees	104
	129

Net OPEB liability - The components of the net OPEB liability of the Authority at the June 30, 2023, measurement date is as follows:

Total OPEB liability (TOL)	$ 3,099,588
Plan fiduciary net position (FNP)	851,938
Authority's net OPEB liability (NOL)	$ 2,247,650
Ratio of FNP to TOL	27.49%

NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Actuarial assumptions -The total OPEB liability was determined by an actuarial valuation as of September 30, 2022, using the following key actuarial assumptions and other inputs:

Inflation	2.75%
Real wage growth	0.25%
Wage inflation	3.00%
Salary increases, including wage inflation	3.00% - 5.00%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including price inflation	2.50%
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Prior Measurement Date	2.50%
Measurement Date	2.50%
Health Care Cost Trends	
Pre-Medicare	7.00% for 2022 decreasing to an ultimate rate of 4.50% by 2028
Medicare	5.00% for 2022, decreasing to an ultimate rate of 4.50% by 2028

The discount rate used to measure the TOL was based upon the long-term expected rate of return on plan investments where assets are projected to cover all future benefit payments plus inflation. Projections of the sharing of benefit-related costs are based on an established pattern of practice. Mortality rates for healthy, retired or survivor participants were based on the applicable Pri-2012 Total Dataset Amount-Weighted Mortality Table; future projections are based on a generational projection from 2012 using Scale MP-2021.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the September 30, 2022 valuation were based on the results of an actuarial experience study for the period October 1, 2010 – September 30, 2015.

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, 2022 valuation were based on a review of recent plan experience done concurrently with the September 30, 2022 valuation.

Rate of return - For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was (1.68%). The money-weighted rate of return expresses investment performances, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using best-estimate ranges of expected future real rates of return. The target allocation and best estimate of arithmetic real rate of return for each major asset class is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	100.00%	2.50%
Total	100.00%	

NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Discount rate (single equivalent interest rate) - The discount rate used to measure the TOL as of the Measurement Date was 2.50%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of September 30, 2022. In addition to the actuarial methods and assumptions of the September 30, 2022 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.00% - 5.00%.
- Active employees do not explicitly contribute to the Plan.
- The employer will continue to make a contribution equal to the Actuarially Determined Contribution.
- Cash flows occur mid-year.

Based on these assumptions, the Plan's FNP was projected to not be depleted.

The FNP projections are based upon the Plan's financial status on the Valuation Date, the indicated set of methods and assumptions, and the requirements of GASB 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of the Plan, or the Plan's ability to make benefit payments in future years.

Sensitivity of the net OPEB liability to changes in the trend rate - The following exhibit presents the NOL of the Plan, calculated using the health care cost trend rates, as well as what the Plan's NOL would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease	Current	1% Increase
Net OPEB liability	$1,961,142	$2,247,650	$2,580,066

Sensitivity of the net OPEB liability to changes in the discount rate - The following exhibit presents the NOL of the Plan, calculated using the discount rate of 2.50%, as well as what the Plan's NOL would be if it were calculated using a Discount Rate that is 1- percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (1.50%)	Current Discount Rate (2.50%)	1% Increase (3.50%)
Net OPEB liability	$2,449,981	$2,247,650	$2,057,674

NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

Changes in Net OPEB Liability - The TOL is based upon an actuarial valuation performed as of the Valuation Date, September 30, 2022. An expected TOL is determined as of June 30, 2023 using standard roll forward techniques, shown in the following table:

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability (Asset) (a)-(b)**
Balances at 6/30/22	$3,070,300	$866,191	$2,204,109
Changes for the year:			
Service cost	87,940		87,940
Interest	75,362		75,362
Changes of assumptions	273,644		273,644
Difference between expected & actual experience	(118,320)		(118,320)
Contributions--employer		207,259	(207,259)
Contributions--employee		82,079	(82,079)
Net investment income		(14,253)	14,253
Benefit payments	(289,338)	(289,338)	0
Other	0	0	0
Net changes	29,288	(14,253)	43,541
Balances at 6/30/23	$3,099,588	$851,938	$2,247,650

Changes since last year include updating the annual per capita claims to the current assumption and updating the assumed mortality projection scale.

OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2023, the Authority recognized OPEB expense of $243,976. At June 30, 2023, the Authority 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	$43,402	$0
Changes of assumptions	655,730	0
Net difference between projected and actual earnings on OPEB plan investments	94,184	0
Total	$793,316	$0

NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

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:	
2024	$159,799
2025	165,251
2026	153,485
2027	119,660
2028	89,126
Thereafter	105,996

NOTE L – PRIOR PERIOD ADJUSTMENT

As shown in the Management's Discussion and Analysis, net position as of July 1, 2021, has been restated to correct the balance of Land.

Net position as previously reported at July 1, 2021	$381,736,242
Prior Period Adjustment: Land	(1,176,449)
Net position as restated at July 1, 2021	$380,559,793

NOTE M – CHANGE IN ACCOUNTING PRINCIPLE

In 2022, the Huntsville-Madison County Airport Authority adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. All Authority subscription contracts are short-term. There was no impact on net income or net position.

Statement on Auditing Standards (SAS) No. 142 takes effect for audits of financial statements for periods ending on or after December 15, 2022. SAS No. 142 explains what constitutes audit evidence in an audit of financial statements and sets out attributes of information that are taken into account by the auditor when evaluating information to be used as audit evidence. There was no impact on net income or net position.

NOTE N - SUBSEQUENT EVENTS

The date through which subsequent events have been evaluated is October 17, 2023. The financial statements were available to be issued at that time.

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
FISCAL YEARS ENDING SEPTEMBER 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	$595,526	$564,691	$549,861	$531,969	$473,308	$462,135	$471,507	$437,233	$443,283
Interest	2,266,557	2,073,433	1,987,606	1,891,690	1,787,579	1,761,629	1,609,686	1,463,012	1,370,643
Changes of benefit terms	30,404	324,142	0	0	0	0	0	0	0
Differences between expected and actual experience	(1,588,440)	919,325	(156,067)	82,182	182,049	(833,272)	959,930	763,677	0
Changes of assumptions	0	1,034,518	0	0	133,133		512,200	0	0
Benefit payments, including refunds of employee contributions	(1,484,555)	(1,327,593)	(1,205,924)	(1,233,439)	(1,078,761)	(1,028,805)	(875,326)	(785,666)	(532,969)
Transfers among employers	(9,251)	(14,153)	0	(40,504)	81,896	(1,867)	8,371	0	0
Net change in total pension liability	(189,759)	3,574,363	1,175,476	1,231,898	1,579,204	359,820	2,686,368	1,878,256	1,280,957
Total pension liability - beginning	31,165,862	27,591,499	26,416,023	25,184,125	23,604,921	23,245,101	20,558,733	18,680,477	17,399,520
Total pension liability - ending (a)	$30,976,103	$31,165,862	$27,591,499	$26,416,023	$25,184,125	$23,604,921	$23,245,101	$20,558,733	$18,680,477
Plan fiduciary net position									
Contributions - employer	$88,531	$132,789	$160,236	$149,901	$251,146	$244,264	$1,436,819	$414,378	$2,814,637
Contributions - member	540,534	354,572	404,603	368,621	333,521	366,329	293,244	285,058	277,908
Net investment income	(4,071,333)	5,941,000	1,486,545	668,761	2,255,587	2,813,661	2,020,828	224,787	1,744,161
Benefit payments, including refunds of employee contributions	(1,484,555)	(1,327,593)	(1,205,924)	(1,233,439)	(1,078,761)	(1,028,805)	(875,326)	(785,666)	(532,969)
Transfers among employers	(9,251)	(14,153)	0	(40,504)	81,896	(1,867)	8,371	343,692	203,661
Net change in plan fiduciary net position	(4,936,074)	5,086,615	845,460	(86,660)	1,843,389	2,393,582	2,883,936	482,249	4,507,398
Plan net position - beginning	32,267,179	27,180,564	26,335,104	26,421,764	24,578,375	22,184,793	19,300,857	18,818,608	14,311,210
Plan net position - ending (b)	$27,331,105	$32,267,179	$27,180,564	$26,335,104	$26,421,764	$24,578,375	$22,184,793	$19,300,857	$18,818,608
Net pension liability (asset) - ending (a) - (b)	$3,644,998	($1,101,317)	$410,935	$80,919	($1,237,639)	($973,454)	$1,060,308	$1,257,876	($138,131)
Plan fiduciary net position as a percentage of the total pension liability	88.23%	103.53%	98.51%	99.69%	104.91%	104.12%	95.44%	93.88%	100.74%
Covered payroll *	$6,947,214	$6,249,050	$7,091,149	$6,714,790	$6,151,067	$5,755,062	$5,471,941	$5,566,175	$5,572,448
Net pension liability (asset) as a percentage of covered-employee payroll	52.47%	-17.62%	5.80%	1.21%	-20.12%	-16.91%	19.38%	22.60%	-2.48%

* - Covered payroll during the measurement period is the total covered payroll. For FY2023, the measurement period is October 1, 2021 - September 30, 2022.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION
FISCAL YEARS ENDING JUNE 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	$107,706	$77,747	$143,401	$154,578	$178,153	$244,338	$283,625	$422,710	$398,196
Contributions in relation to the actuarially determined contribution	107,706	77,747	143,401	154,578	178,153	244,338	283,625	422,710	398,196
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0
Covered-employee payroll	$7,901,995	$6,540,266	$6,533,651	$7,068,723	$6,599,039	$6,058,118	$5,701,773	$5,348,659	$5,407,134
Contributions as a percentage of covered-employee payroll	1.36%	1.19%	2.19%	2.19%	2.70%	4.03%	4.97%	7.90%	7.36%

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 2023 were based on the September 30, 2020 and 2019 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2022, to September 30, 2023:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	21.6 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	30.6 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

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
FISCAL YEARS ENDING JUNE 30

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability							
Service cost at end of year	$87,940	$89,765	$93,708	$94,587	$89,675	$92,886	$94,562
Interest on the Total OPEB Liability	75,362	71,876	68,871	63,769	62,453	60,053	42,556
Changes of benefit terms	0	0	0	0	0	0	0
Differences between expected and actual experience	(118,320)	30,756	70,899	139,141	73,132	(82,779)	0
Changes of assumptions or other inputs	273,644	223,081	144,658	146,309	30,804	195,764	0
Benefit payments *	(289,338)	(259,284)	(248,824)	(228,990)	(187,879)	(145,834)	(50,184)
Net change in total OPEB liability	29,288	156,194	129,312	214,816	68,185	120,090	86,934
Total OPEB liability - beginning	3,070,300	2,914,106	2,784,794	2,569,978	2,501,793	2,381,703	2,294,769
Total OPEB liability - ending (a)	$3,099,588	$3,070,300	$2,914,106	$2,784,794	$2,569,978	$2,501,793	$2,381,703
Plan fiduciary net position							
Contributions - employer **	$207,259	$220,367	$194,644	$178,557	$124,593	$168,138	$55,915
Contributions - member	82,079	78,917	79,464	73,555	63,285	48,308	0
Net investment income	(14,253)	(72,547)	(12,010)	44,028	36,282	(6,604)	(9,318)
Benefit payments *	(289,338)	(259,284)	(248,824)	(228,990)	(187,879)	(145,834)	(50,184)
Administrative expense	0	0	0	0	0	0	0
Other	0	0	0	0	42,636	0	0
Net change in plan fiduciary net position	(14,253)	(32,547)	13,274	67,150	78,917	64,008	(3,587)
Plan fiduciary net position - beginning	866,191	898,738	885,464	818,314	739,397	675,389	678,976
Plan fiduciary net position - ending (b)	$851,938	$866,191	$898,738	$885,464	$818,314	$739,397	$675,389
Net OPEB liability - ending (a) - (b)	$2,247,650	$2,204,109	$2,015,368	$1,899,330	$1,751,664	$1,762,396	$1,706,314

Changes to assumptions or other inputs:

For the June 30, 2020, calculation, the Mortality Table changed from SOA RP-2014 Dataset Mortality adjusted to 2006 and projected with Scale MP-2018 to the following:
Healthy - Pri-2012 Total Dataset Employee Amount-Weighted Mortality Table
Retired - Pri-2012 Total Dataset Retiree Amount-Weighted Mortality Table
Survivor - Pri-2012 Total Dataset Survivor Amount-Weighted Mortality Table
Future Projections - Generational projection from 2012 using Scale MP-2019

For the June 30, 2022, calculation, the Future Projects Mortality Table changed from Generational projection from 2012 using Scale MP-2019 to the following:
Future Projections - Generational projection from 2012 using Scale MP-2021

Beginning with the ADC for June 30, 2018, (from the September 30, 2016, valuation), the funding method was changed from projected unit credit to entry age normal and the amortization method was changed from a level percent of pay to a level dollar method.

The discount rate for determining the ADC was decreased from 5.00% for the June 30, 2017, calculation to 2.50% for the June 30, 2018, calculation.

* - Benefit payments are net of participant contributions. Net benefit payments paid directly from the employer are also included.
** - Employer contributions include amounts paid directly from the employer.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE NET OPEB LIABILITY
FISCAL YEARS ENDING JUNE 30

	2023	2022	2021	2020	2019	2018	2017	2016
Total OPEB liability	$3,099,588	$3,070,300	$2,914,106	$2,784,794	$2,569,978	$2,501,793	$2,381,703	$2,294,769
Plan fiduciary net position	851,938	866,191	898,738	885,464	818,314	739,397	675,389	678,976
Net OPEB liability	$2,247,650	$2,204,109	$2,015,368	$1,899,330	$1,751,664	$1,762,396	$1,706,314	$1,615,793
Plan fiduciary net position as a percentage of the total pension liability	27.49%	28.21%	30.84%	31.80%	31.84%	29.55%	28.36%	29.59%
Covered payroll *	$7,516,686	$5,811,066	$6,434,235	$6,990,547	$6,599,161	$5,897,181	$5,596,622	$5,596,622
Net OPEB liability as a percentage of covered payroll	29.90%	37.93%	31.32%	27.17%	26.54%	29.89%	30.49%	28.87%

Changes to assumptions or other inputs:

Beginning with the ADC for June 30, 2018, (from the September 30, 2016, valuation), the funding method was changed from projected unit credit to entry age normal and the amortization method was changed from a level percent of pay to a level dollar method.

The discount rate for determining the ADC was decreased from 5.00% for the June 30, 2017, calculation to 2.50% for the June 30, 2018, calculation.

The assumed mortality table was updated for the June 30, 2022 and 2020 calculations.

* - For years following the valuation date (when no new valuation is performed), covered payroll was previously set equal to the covered payroll from the most recent valuation.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB
FISCAL YEARS ENDING JUNE 30

	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	$200,531	$192,885	$191,100	$178,557	$168,138	$168,137	$66,919	$66,919
Contributions in relation to the actuarially determined contribution	207,259	220,367	194,644	178,557	124,593	168,138	71,430	67,000
Annual contribution deficiency (excess)	($6,728)	($27,482)	($3,544)	$0	$43,545	($1)	($4,511)	($81)
Covered payroll *	$7,516,686	$5,811,066	$6,434,235	$6,990,547	$6,599,161	$5,897,181	$5,596,622	$5,596,622
Actual contributions as a percentage of covered payroll	2.76%	3.79%	3.03%	2.55%	1.89%	2.85%	1.28%	1.20%

Notes to Schedule

The Actuarially Determined Contribution rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts are calculated with each biennial actuarial valuation. The following actuarial methods and assumptions (from the September 30, 2016, actuarial valuation) were used to determine contributions rates reported for the year ended June 30, 2022.

Actuarial cost method	Entry age normal
Amortization method	Level dollar method
Amortization period	30 years, closed
Asset valuation method	Market value of assets
Inflation	2.75%
Real wage growth	0.25%
Wage inflation	3.00%
Salary increases, including wage inflation	3.00% - 5.00%
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	2.50%
Health care cost trends	
Pre-Medicare	7.00% for 2022 decreasing to an ultimate rate of 4.50% by 2028
Medicare	5.00% for 2022 decreasing to an ultimate rate of 4.50% by 2028

Changes to assumptions or other inputs:

Beginning with the ADC for June 30, 2018, (from the September 30, 2016, valuation), the funding method was changed from projected unit credit to entry age normal and the amortization method was changed from a level percent of pay to a level dollar method.

The discount rate for determining the ADC was decreased from 5.00% for the June 30, 2017, calculation to 2.50% for the June 30, 2018, calculation.

* - For years following the valuation date (when no new valuation is performed), covered payroll was previously set equal to the covered payroll from the most recent valuation.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS - OPEB
FISCAL YEARS ENDING JUNE 30

	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	-1.68%	-7.82%	-1.32%	5.51%	4.63%	-1.10%	-1.28%

Changes to assumptions or other inputs:

Beginning with the Actuarially Determined Contribution (ADC) for June 30, 2018, (from the September 30, 2016, valuation), the funding method was changed from projected unit credit to entry age normal and the amortization method was changed from a level percent of pay to a level dollar method.

The discount rate for determining the ADC was decreased from 5.00% for the June 30, 2017, calculation to 2.50% for the June 30, 2018, calculation.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Board of Directors
Huntsville-Madison County Airport Authority
Huntsville, Alabama

Our report on our audit of the basic financial statements of the Huntsville-Madison County Airport Authority for June 30, 2023, appears on pages 1 and 2. That audit was made for the purpose of forming opinions on the basic financial statements. The schedules on pages 43 through 48 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Supplementary Information

The schedules on pages 43 and 45 through 48 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Information

Management is responsible for the other information. The other information comprises the schedule of insurance policies and fidelity bonds in force on page 44, which is of a non-accounting nature, 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.

Mercer & Associates, PC

October 17, 2023

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
ADDITIONAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

Statement of Pledged Revenues and Operating Expenses
FOR THE YEAR ENDED JUNE 30, 2023

	GAAP Statement of Revenues and Expenses	Include Interest Income [1]	Remove GAAP Adjustments	Pledged Revenue & Operating Expenses
Pledged Revenues				
Airfield	$ 1,815,473	$ 93,129	$ 0	$ 1,908,602
Public Safety	3,015,260	0	0	3,015,260
Landside	10,869,023	0	0	10,869,023
Terminal	10,414,590	0	0	10,414,590
General Aviation	944,662	0	0	944,662
Intermodal	2,923,080	0	0	2,923,080
Air Cargo	3,111,686	0	0	3,111,686
Loading Bridges	578,187	0	0	578,187
Fuel Farm	394,209	0	0	394,209
Other	(557,308)	0	557,308	0
Total Pledged Revenues	33,508,862	93,129	557,308	34,159,299
Transfers	0	0	0	0
Operating Expenses				
Airfield	2,839,542	0	0	2,839,542
Public Safety	2,585,077	0	0	2,585,077
Landside	3,643,888	0	0	3,643,888
Terminal	6,900,353	0	0	6,900,353
General Aviation	255,254	0	0	255,254
Intermodal	2,357,486	0	0	2,357,486
Air Cargo	714,692	0	0	714,692
Loading Bridges	494,714	0	0	494,714
Fuel Farm	199,456	0	0	199,456
Other	501,476	0	(506,760)	(5,284)
Total Operating Expenses	20,491,938	0	(506,760)	19,985,178
Revenue in Excess of Operating Expenses				14,174,121
Debt Service [2]				2,167,886
Debt Service Ratio				6.54

(1) - Does not include interest earnings on PFC bond construction account.

(2) - Represents principal and interest due in the bond year ending July 1, 2023. Does not include debt service requirements for 2017 PFC bond issue, which is payable solely from PFC charges.

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
ADDITIONAL INFORMATION
INSURANCE INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

The primary insurance policies of the Authority for which the policy periods began during the fiscal year are shown below. The coverage amounts shown generally represent the aggregate amount, including coverage-specific policies, general liability policies, and excess policies. This information is provided for a general understanding of the Authority's insurance coverage and should not be relied upon for any specific purpose without contacting the Authority for information that is applicable to a particular situation.

Policy Description	Approximate Coverage ($)
Liability	
Hotel Operators (incl. as contract operator's policy additional insured)	184,000,000
Products & Completed Operations	150,000,000
Non-Owned Aircraft	150,000,000
Hangarkeepers	150,000,000
Airside Auto	150,000,000
Railroad (Intermodal Operations)	110,000,000
Terminal Operations Legal Liability (Intermodal Operations)	2,500,000
Automobile	101,000,000
Employer, including workers compensation	100,500,000
Personal & Advertising Injury	100,000,000
Malpractice	100,000,000
War, Hi-Jacking & Other Perils Annual Aggregate	100,000,000
Liquor	2,000,000
Employee Benefits	1,000,000
Directors & Officers	5,000,000
Employment Practices	5,000,000
Premises Environmental	5,000,000
Fiduciary	1,000,000
Cybersecurity	1,000,000
Property (structures and Authority-owned personal property)	
Cranes and Public Safety Vehicles	11,614,689
Terminal Building including Hotel	136,045,816
Parking Garages	40,058,513
Air Cargo Buildings	29,694,881
General Aviation Hangars	8,291,309
Intermodal Buildings	3,946,528
Other Buildings & Structures	22,432,472
Business Income Loss Protection	34,696,088

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
ADDITIONAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

DEBT SERVICE RESERVE

Balance, July 1, 2022	$ 1,685,795
Deposits	0
Deposits of interest income	47,293
Disbursements and transfers	(128,900)
Balance, June 30, 2023	$ 1,604,188

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
ADDITIONAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

REBATE FUND

Balance, July 1, 2022	$ 128,239
Deposits of interest income	3,748
Balance, June 30, 2023	$ 131,987

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
ADDITIONAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

SERIES 2010A BOND FUND

Balance, July 1, 2022	$ 1,067,366
Deposits	938,758
Deposits of interest income	17,468
Payments of matured bonds and interest	(1,004,075)
Balance, June 30, 2023	$ 1,019,517

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
ADDITIONAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

2016 BOND FUND

Balance, July 1, 2022	$ 1,110,878
Deposits	1,125,560
Deposits of interest income	17,980
Payments of matured bonds and interest	(1,129,956)
Balance, June 30, 2023	$ 1,124,462

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
ADDITIONAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023
Notes to the Schedules Included in
Additional Information

NOTE A - PLEDGED REVENUES

Pledged revenues are defined in the trust indenture to include all revenues from the operation, leasing, or sale of the airport. This definition includes certain interest income from various trusts. However, all revenue associated with the Four Points Hotel and Industrial Park is specifically excluded.

NOTE B - OPERATING EXPENSES

Operating expenses are defined in the trust indenture to include costs incurred in operating, maintaining, administering, and repairing the airport. The term excludes from its definition depreciation, cost of capital projects, cash revenues, payment of bonds, and all expenses associated with the Four Points Hotel and Industrial Park.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Huntsville-Madison County Airport Authority
Huntsville, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type and fiduciary activities of the Huntsville-Madison County Airport Authority, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Huntsville-Madison County Airport Authority's basic financial statements, and have issued our report thereon dated October 17, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Huntsville-Madison County Airport Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Huntsville-Madison County Airport Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Huntsville-Madison County Airport Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Huntsville-Madison County Airport Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

October 17, 2023

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND PASSENGER FACILITY CHARGE (PFC) PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Huntsville-Madison County Airport Authority
Huntsville, Alabama

Report on Compliance for Each Major Federal Program and PFC Program

Opinion on Each Major Federal Program and PFC Program
We have audited the Huntsville-Madison County Airport Authority's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Huntsville-Madison County Airport Authority's major federal programs, with the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide) for its PFC program, for the year ended June 30, 2023. The Huntsville-Madison County Airport Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Huntsville-Madison County Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and its PFC program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program and PFC Program
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, U*niform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the Guide. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Huntsville-Madison County Airport Authority and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Huntsville-Madison County Airport Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance
Management is responsible for compliance with requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Huntsville-Madison County Airport Authority's federal programs and its PFC program.

Auditor's Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Huntsville-Madison County Airport Authority's compliance based on our audit. 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, *Government Auditing Standards*, the Uniform Guidance and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for

that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Huntsville-Madison County Airport Authority's compliance with the requirements of each major federal program and PFC program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Huntsville-Madison County Airport Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Huntsville-Madison County Airport Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Huntsville-Madison County Airport Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or PFC program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or PFC program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or PFC program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

October 17, 2023

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor Agency	Assistance Listing Number	Agency or Pass-Through Number	Federal Disbursements/ Expenditures
Department of Transportation			
Airport Improvement Programs	20.106	N/A	$ 5,608,883
COVID-19 - Airport Rescue Grant in accordance with the American Rescue Plan Act	20.106	N/A	8,738
COVID-19 - Airport Coronavirus Response Grant Program (ARCGP) in accordance with the Coronavirus Response and Relief Appropriations Act (CRRSA)	20.106	N/A	160,473
TOTAL DOT			5,778,094
Department of Homeland Security			
Transportation Security Administration	97.U01	N/A	109,380
TOTAL DHS			109,380
TOTAL			$ 5,887,474

See accompanying notes to Schedule of Expenditures of Federal Awards.

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the Authority's federal award programs presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR), Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

The Authority did not elect to use the 10% de minimis indirect cost rate.

NOTE B – RECONCILIATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO FINANCIAL STATEMENTS

Transportation Security Administration revenue and expenditures of $109,380 are included in Airport Operations revenue and expenses in the accompanying financial statements.

Federal grants per Statement of Revenue and Expenses	$	5,778,094
TSA revenue and expenditures included in Airport Operations		109,380
Expenditures per the Schedule of Expenditures of Federal Awards	$	5,887,474

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES
FOR THE YEAR ENDED JUNE 30, 2023

	Unliquidated PFC 6/30/22	PFC Collected	Interest Collected	Expenditures	Unliquidated PFC 6/30/23
Passenger Facility Charges					
Huntsville-Madison County Airport Authority	$ 3,549,902	$ 2,609,740	$ 79,417	$ 1,475,703	$ 4,763,356

HUNTSVILLE-MADISON COUNTY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued		Unmodified
Internal control over financial reporting		
• Material weakness(es) identified?	___ Yes	_X_ No
• Significant deficieny(ies) identified?	___ Yes	_X_ None reported
Noncompliance material to financial statements noted?	___ Yes	_X_ No

Federal Awards

Internal control over major programs		
• Material weakness(es) identified?	___ Yes	_X_ No
• Significant deficieny(ies) identified?	___ Yes	_X_ None reported
Type of auditor's report issued		Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	___ Yes	_X_ No

The programs tested as major programs include:

	Assistance Listing #
Airport Improvement Program	20.106
COVID-19 - Airport Rescue Grant in accordance with the American Rescue Plan Act	20.106
COVID-19 - Airport Coronavirus Response Grant Program (ARCGP) in accordance with the Coronavirus Response and Relief Appropriations Act (CRRSA)	20.106

Dollar threshold used to distinguish between Type A & Type B programs		$750,000
Auditee qualified as low-risk auditee?	_X_ Yes	___ No

SECTION II - FINANCIAL STATEMENTS FINDINGS

None

SECTION III -FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

Contact the Port of Huntsville

Get in touch

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Message

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