Alabama Municipal Electric Authority

Financial Statements as of and for the Years Ended September 30, 2023 and 2022,
Additional Information for the Years Ended September 30, 2023 and 2022,
and Independent Auditors' Report

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Management's Discussion and Analysis

Corporate Structure

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

Joint Action

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

Legal Authority

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

Overview of the Financial Statements

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

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

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

Proprietary Funds

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

Notes to Financial Statements

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

Financial Analysis

Condensed statements of net position as of September 30, 2023 and 2022, are as follows:

	2023	2022
Long-term assets	$ 28,698,290	$ 26,249,300
Current assets	101,390,035	106,924,307
Deferred outflows of resources	1,944,448	2,113,950
Total assets and deferred outflows of resources	132,032,773	135,287,557
Long-term liabilities	25,034,047	24,897,869
Current liabilities	29,918,418	41,827,406
Deferred inflows of resources	36,903,538	36,689,927
Total liabilities and deferred inflows of resources	91,856,003	103,415,202
Net Position	$ 40,176,770	$ 31,872,355

Total Assets and Deferred Outflows of Resources

Total assets and deferred outflows of resources decreased by $3,254,784 from FY 2022 to FY 2023. Components of this change are as follows:

- Long-term assets increased by $2,448,990. This change is comprised of:
  - property and equipment, net, decreased by $1,015,353, which was largely due to normal depreciation of assets and offset by the purchase of new property and equipment. The continuing upgrade of the gas compressor at the AMEA-Sylacauga plant was the largest of the FY 2023 expenditures at $829,751, while additional solar parks at the Members' and Authority's locations totaled $180,478 during the year;
  - other long-term assets increased by $643,428, of which the majority of the change came from a $650,000 increase in long-term receivables of AMEA's Capital Fund Program. This resulted from two new loans totaling $900,000 being made in FY 2023 and $250,000 of the program's receivables being reclassified as short term;
  - special funds invested increased $1,139,855. This change is mostly due to two transfers involving the Reserve and Contingency fund. This money is held by the Regions Bank trustee for upgrades and extraordinary maintenance at the AMEA-Sylacauga plant. The Board of Director's previously approved the gas compressor upgrade to be funded from this account, resulting in a transfer of $860,060 from the Reserve and Contingency fund in FY 2023. The Board of Directors also approved a $2,000,000 transfer to the Reserve and

Contingency fund to help fund a future turbine upgrade, which will be a capital project at the plant beginning in FY 2024;

- regulatory assets increased by $1,681,060 due primarily to a $1,846,178 increase in the pension regulatory asset. The Retirement Systems of Alabama (RSA) valuated the Authority's liability increase as $1,246,178, and the Authority made an additional $600,000 payment to the RSA to pay down the liability during FY 2023. Due to the timing of the RSA's valuations, the paydown money will remain in the regulatory asset until FY 2024 when it becomes part of the RSA's financial calculations. Standard monthly amortizations account for the remaining decreases in regulatory assets.

- Current assets decreased by $5,534,272, of which notable items are as follows:
    - the operation and maintenance fund decreased by $13,799,186;
    - the revenue fund increased by $1,007,974, mostly do to the $1,000,000 transfer to the Rate Stabilization account;
    - receivables from participating members increased by $6,798,249. This account is made up mostly of Members' September bills. However, due to the timing of bills being sent out, the August 2023 payments from the Members were not due until October 2023 thus creating a higher than normal receivable at year end;
    - lease receivable decreased $102,421 in FY 2023. This account holds the receivable value of the lease held with tenants who rent a portion of the AMEA building. This valuation is in compliance with GASB Statement No. 87 and is valued at $517,467 and $619,888 as of September 30, 2023 and 2022, respectively;
    - other receivables increased by $405,575. The largest component of this category is a $284,516 increase in interest receivable in the Authority's investment account. This increase is due to higher interest rates made available to the Authority in FY 2023. Details of this investment account can be found in Note 2 below.
- Deferred outflows of resources decreased by $169,502. This change was due to the standard amortization of the loss on refunding debt, and the change in current-year pension expenses made up the rest of the deferred outflow of resources change.

Total Liabilities and Deferred Inflows of Resources

Total liabilities and deferred inflows of resources decreased by $11,559,199 and was made up of the following changes:

- Total long-term liabilities increased by $136,178 due to $1,110,000 of the 2020 bonds nearing maturity and becoming a short term liability, which was offset by a $1,246,178 increase in pension liability;
- Current liabilities decreased by $11,908,988. This decrease is due to the following:
    - funds payable to members under the Smart Grid Initiative decreased by $8,725,226 as Members requested the money available to them for improvements to their electric system;
    - amounts payable under power supply contracts decreased by $3,533,975. Costs to produce electricity were at an all-time high throughout summer 2022. These costs were

significantly lower in 2023. Since September's expenses are represented as payable at year end, the difference becomes material;

  - other current liabilities increased by $331,966. The increase is in part due to the creation of the Authority's hedging program that was created in FY 2023. At year end $1,038,529 was still in payables for the summer hedging. This increase is offset by a $1,107,181 decrease in payables due to the Sylacauga Utilities Board. Other accounts payable increased by $400,618;
  - current bond maturities increased by $20,000, and special funds payable from restricted assets decreased by $1,753;

- Deferred inflows of resources increased by $213,611. Net costs to be refunded to members increased by $342,099 due to a $1,000,000 transfer to Rate Stabilization, which was offset by standard deferrals. The net cost increase was offset by a decrease of $128,488 of lease deferred inflows.

Net Position

Net position increased by $8,304,415.

A summary of operations for the years ended September 30, 2023 and 2022, is as follows:

	2023	2022
Gross operating revenues	$ 239,258,110	$ 242,917,703
Changes in net costs to be refunded to Participating Members	(342,099)	689,152
Operating revenues	238,916,011	243,606,855
Operating expenses:		
Purchased power, transmission, and distribution expenses	214,115,138	213,908,172
Plant operating expenses	3,217,338	11,729,601
Administrative, general, and other operating expenses	16,370,795	8,880,660
Total operating expenses	233,703,271	234,518,433
Net operating income	5,212,740	9,088,422
Other income (expense) - net	3,382,919	(1,854,176)
Excess revenues over expenses	8,595,659	7,234,246
Net position - beginning of year	31,872,355	30,835,900
Distribution to Members from Reserves	(291,244)	(6,197,791)
Net position - end of year	$ 40,176,770	$ 31,872,355

Gross Operating Revenues

Gross operating revenues decreased by $3,659,593.

- Capacity sales increased by $3,996,574. The majority of this increase came in December, which contained a significant cold front (Winter Storm Elliott) that moved through Alabama, and summer months as hot weather created high peaks in FY 2023.

- Energy sales decreased by $1,696,978. Energy usage in FY 2023 was comparable to energy usage the previous year. Sales were down financially due to the costs of energy decreasing in FY 2023 as these expenses are passed through to the Members within the energy rates.

- In FY 2022, the Authority's Board of Directors authorized $6,000,000 to be transferred in from working capital to mitigate the high energy costs that were being incurred. These funds were moved from Net Assets and into Electric Sales to Participants. The money was then distributed to the Members through the Authority's fuel adjustment factor on the monthly power billings. No situation in FY 2023 warranted similar action thus creating a $6,000,000 decrease in revenues from one year to the next.

- Sales of electricity – other increased by $40,811.

Changes in Net Costs to be Refunded to Participating Members

The difference in this account was $1,031,251, mostly due to a $1,000,000 transfer that occurred in FY 2023 (see Note 6).

Operating Expenses

Total operating expenses decreased by $815,162, which is comprised of:

- Purchased power, transmission, and distribution expenses increased by $206,966, made up of the following:

    - an increase in capacity costs of $4,317,001.

    - a decrease in energy costs of $7,385,614.

    - Transmission and distribution costs increased by $3,275,579.

- Plant operating expenses decreased by $8,512,263. As a peaking unit, the AMEA-Sylacauga plant is called to run as needed in excess of base loads. In FY 2022, the plant generated a record 108,475 MWhs. In FY 2023, the plant returned to functioning at a more standard pace of 46,936 MWhs.

- Other expenses in this category increased by $7,490,135, the majority of which came from expenses associated with the Authority's new hedging program. The program was created in FY 2023 and incurred expenses of $6,916,973.

Other Income (Expense)—Net

Other income (expense)—net increased by $5,237,095. This is made up of the following details:

- Investment gain (loss) increased by $2,196,519 due largely to the upward swing in market valuations of investments at year end.

- Interest income increased $1,825,850 from FY 2022 to FY 2023. Interest rates rose throughout the year on the Authority's cash and investment accounts.

- Other income increased by $1,187,951 with the biggest factor being $1,112,000 of revenue, which resulted from penalties accrued due to the Blackbear Solar project not being completed by the guaranteed commercial operation date.

- Interest expense decreased by $20,107.

- Amortization of bond issuance costs and excess costs of bond refunding changed minimally.

Distribution to Members from Reserves

- In FY 2022, the Authority's Board of Directors resolved to use $6,000,000 of unrestricted net assets to mitigate high energy costs to Members. The money was distributed to Members through the fuel adjustment factor on power billings for the months of June, July, and August.

- In August 2019 the Authority's Board of Directors designated $1,000,000 of net assets to be used for an electric vehicle initiative. In May 2022, the Authority's Board allotted an additional $1,000,000 to this program. This money is to be granted to Members upon request for use in purchasing electric vehicles and infrastructure. In FY 2022, the Authority paid out $197,791, while $291,244 was distributed to Members during FY 2023.

Liquidity and Capital Resources

- On September 30, 2023, the Authority had cash and cash equivalents of $29,611,170, a decrease of $14,522,482 from the prior year as detailed by the following:

  - cash paid out for operating expenses exceeded cash brought in for operating activities by $11,007,361;

  - $3,300,047 was paid out for capital and related financing activities;

  - within investing activities, other expenses and payments were $215,074 more than other income and proceeds.

- Cash and cash equivalents balances are composed of the Working Capital account, including the Operating and Maintenance fund, and the Rate Stabilization account, which is included in the Revenue fund.

- The Authority's debt classified as long-term as of September 30, 2023, is $21,955,000. This debt was issued during FY 2020 to refinance the 2013 bonds, which was a refunding of the 2003 bonds that created funds for the construction of the AMEA-Sylacauga plant. Future revenues from the sale of electricity to members are expected to be sufficient to fully retire this debt at scheduled maturity dates through 2040 (see Note 7).

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est. 1918

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Independent Auditors' Report

Board of Directors
Alabama Municipal Electric Authority
Montgomery, Alabama

Opinion

We have audited the accompanying financial statements of the business-type activities of the Alabama Municipal Electric Authority, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Alabama Municipal Electric Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Alabama Municipal Electric Authority, as of September 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Alabama Municipal Electric 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 opinion.

Responsibilities of Management for the Financial Statements

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

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 Alabama

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Municipal Electric 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

Auditors' 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Alabama Municipal Electric 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 Alabama Municipal Electric 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 the Management's Discussion and Analysis, Schedule of Changes in the Net Pension Liability, and Schedule of Employer Contributions information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Additional Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Alabama Municipal Electric Authority's basic financial statements. The supplementary information on pages 45 through 48 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, such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Management's Discussion and Analysis but does not include the AMEA basic financial statements and our auditor's report thereon. Our opinion 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.

Aldridge, Borden and Company, P.C.

Montgomery, Alabama
February 15, 2024

Alabama Municipal Electric Authority
Statements of Net Position
As of September 30, 2023 and 2022

Assets	2023	2022
Property and equipment - net	$ 14,853,867	$ 15,869,220
Other long-term assets:		
Investments	350,000	350,000
Capital fund program receivable	1,300,000	650,000
Prepaid expenses	65,435	72,007
Total other long-term assets	1,715,435	1,072,007
Special funds invested (restricted):		
Debt service fund	144,898	144,984
Reserve and contingency fund	5,114,357	3,974,416
Total special funds invested	5,259,255	4,119,400
Current assets:		
Funds invested:		
Revenue fund	45,016,764	44,008,790
Operation and maintenance fund	24,129,070	37,928,256
Total funds invested	69,145,834	81,937,046
Receivables from participating members	30,310,896	23,512,647
Lease receivables	517,467	619,888
Other receivables	575,883	170,308
Materials and supplies	393,049	370,292
Capital fund program receivable	150,000	50,000
Prepaid expenses	296,906	264,126
Total current assets	101,390,035	106,924,307
Regulatory assets - net	6,869,733	5,188,673
Deferred outflows of resources:		
Loss on refunding debt	1,730,238	1,903,997
Pension	214,210	209,953
Total deferred outflows of resources	1,944,448	2,113,950
Total assets	$ 132,032,773	$ 135,287,557

Alabama Municipal Electric Authority
Statements of Net Position
As of September 30, 2023 and 2022

Liabilities, Deferred Inflows, and Net Position	2023	2022
Long-term liabilities:		
Revenue bonds	$ 21,955,000	$ 23,065,000
Pension liability	3,079,047	1,832,869
Total long-term liabilities	25,034,047	24,897,869
Payable from restricted assets - Special funds - accrued interest on revenue bonds	52,398	54,151
Current Liabilities:		
Current maturities of revenue bonds	1,110,000	1,090,000
Amounts payable under power supply contracts	18,186,395	21,720,370
Members - Smart Grid Initiative	8,297,180	17,022,406
Other current liabilities	2,272,445	1,940,479
Total current liabilities	29,866,020	41,773,255
Total liabilities	54,952,465	66,725,275
Deferred Inflows of Resources:		
Net costs to be refunded to members	36,418,558	36,076,459
Leases	484,980	613,468
Total deferred inflows of resources	36,903,538	36,689,927
Net Position:		
Invested in capital assets - net of related debt	(8,211,133)	(8,285,780)
Restricted for:		
Debt service	92,500	90,833
Extraordinary plant maintenance	5,114,357	3,974,416
Unrestricted - Board Designated	1,199,371	1,490,615
Unrestricted	41,981,675	34,602,271
Total net position	40,176,770	31,872,355
Total liabilities, deferred inflows, and net position	$ 132,032,773	$ 135,287,557

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

Alabama Municipal Electric Authority
Statement of Revenues and Expenses and Changes in Net Position
As of September 30, 2023 and 2022

	2023	2022
Operating revenues:		
Sales of electricity to participating members	$ 238,907,231	$ 242,607,635
Sales of electricity - other	350,879	310,068
Gross operating revenues	239,258,110	242,917,703
Changes in net costs to be refunded to participating members	(342,099)	689,152
Operating revenues	238,916,011	243,606,855
Operating expenses:		
Partial requirements services:		
Purchased power	190,706,480	193,775,093
Transmission and distribution	23,408,658	20,133,079
Plant operating expenses	3,217,338	11,729,601
Operational hedging expenses	6,916,973	-
Other operating and maintenance expenses	821,401	586,544
Administrative and general expenses	6,236,518	5,912,861
Amortization and depreciation	2,395,903	2,381,255
Total operating expenses	233,703,271	234,518,433
Net operating income	5,212,740	9,088,422
Other income (expense):		
Interest expense	(648,057)	(668,164)
Interest income	2,178,386	352,536
Investment gain (loss) - net	808,313	(1,388,206)
Other income	1,260,687	72,736
Amortization of bond issuance costs and excess costs of bond refunding	(216,410)	(223,078)
Total other income (expense) - net	3,382,919	(1,854,176)
Excess of revenues over expenses	$ 8,595,659	$ 7,234,246
Net position:		
Balance - beginning of year	$ 31,872,355	$ 30,835,900
Distribution to Members from reserves	(291,244)	(6,197,791)
Balance - end of year	$ 40,176,770	$ 31,872,355

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

Alabama Municipal Electric Authority
Statements of Cash Flows
As of September 30, 2023 and 2022

	2023	2022
Operating activities:		
Cash received from sales of electricity	$ 232,455,743	$ 236,712,060
Cash paid under power supply contracts	(223,366,125)	(208,633,575)
Cash paid to other suppliers and employees	(19,919,192)	(22,357,883)
Other cash receipts/(costs)	(177,787)	181,176
Net cash provided by operating activities	(11,007,361)	5,901,778
Capital and related financing activities:		
Payment for acquisition of property and equipment	(1,135,660)	(1,308,191)
Principal paid on revenue bond maturities	(1,090,000)	(1,065,000)
Distibution to Members	-	(6,000,000)
Interest paid on revenue bonds	(649,810)	(669,832)
Proceeds from sale of property	-	5,000
Other financing costs	(424,577)	(197,791)
Net cash used in capital and related financing activities	(3,300,047)	(9,235,814)
Investing activities:		
Payments for purchases of funds invested	(5,715,495)	(343,500)
Proceeds from sale of funds invested	3,597,803	1,395,361
Interest income received	1,902,618	407,654
Total other income (expense) - net	(215,074)	1,459,515
Net increase in cash and cash equivalents	(14,522,482)	(1,874,521)
Cash and cash equivalents - beginning of year	44,133,652	46,008,173
Cash and cash equivalents - end of year	$ 29,611,170	$ 44,133,652
Displayed as:		
Revenue fund	45,016,764	44,008,790
Operation and maintenance fund	24,129,070	37,928,256
Less: investments and accrued interest	(39,534,664)	(37,803,394)
Cash and cash equivalents - end of year	$ 29,611,170	$ 44,133,652

Alabama Municipal Electric Authority
Statements of Cash Flows
As of September 30, 2023 and 2022

	2023	2022
Reconciliation of net operating income to net cash provided by operating activities:		
Net operating income	$ 5,212,740	$ 9,088,422
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Changes in net costs to be refunded to participating members	342,099	(689,152)
Amortization and depreciation	2,395,903	2,381,255
Other cash receipts	1,277,908	68,524
Changes in assets and liabilities		
Receivables	(11,156,628)	(6,952,985)
Prepaid expenses	(32,780)	(49,200)
Materials and supplies	(22,757)	(37,348)
Deferred outflow of resources - pension	(604,257)	(30,296)
Amounts payable under power supply contracts	(3,533,976)	5,858,956
Amounts payable under Smart Grid Initiative	(8,725,226)	(4,774,440)
Other liabilities	3,839,613	1,038,042
Total adjustments	(16,220,101)	(3,186,644)
Net cash provided by operating activities	$ (11,007,361)	$ 5,901,778

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

Notes to Financial Statements

as of and for the years ended September 30, 2023 and 2022

1. Organization and Operations

Alabama Municipal Electric Authority (AMEA or the "Authority") is a public corporation in the state of Alabama. The Authority was created on August 17, 1981, pursuant to the provisions of Act No. 81-681 of the State of Alabama Legislature for the purpose of securing an adequate, dependable, and economical power supply for its participating members. The Authority's power supply is provided under the terms of contractual arrangements, generation at the AMEA-Sylacauga plant, or purchased in the open market (see Note 4). The Authority sells power pursuant to Power Sales Contracts (see Note 3) to each of its 11 participating members (the "Participating Members"), which consist of municipalities, utility boards, and an electric board. Each Participating Member owns and operates its own electric distribution system.

The activities of the Authority are formally promulgated by and financed under The Power Supply System Revenue Bond Resolution (the "Resolution"), as supplemented and amended, adopted by the board of directors (the "Board"). The Resolution established special funds to hold proceeds from debt issuances; such proceeds are restricted and are to be used for development and acquisition costs and to maintain certain reserves. The Resolution also established additional special funds in which revenues from participating members are to be deposited and from which operating costs, debt service, and other specified payments are to be made.

2. Summary of Significant Accounting

Policies Basis of Accounting

The accounting records of the Authority are maintained on an accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting and the Financial Accounting Standards Board (FASB) that does not conflict with accounting standards issued by the GASB. The Authority also complies with policies and practices prescribed by its Board and practices common in the utility industry. Also, the accounts of the Authority are maintained in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC).

New Accounting Standards

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. This statement became effective for the Authority in FY 2023 and did not have a material impact on the Authority's financial statements.

In March 2020, the GASB issued GASB Statement No, 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This statement became effective for the Authority in FY 2023 and did not have a material impact on the Authority's financial statements.

In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement became effective immediately and changed implementation dates of some GASB statements (new dates listed).

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement became effective for the Authority in FY 2023 and did not have a material impact on the Authority's financial statements.

In April 2022, the GASB issued GASB Statement No. 99, *Omnibus 2022*. This statement will become effective for the Authority for FY2023. This statement became effective for the Authority in FY 2023 and did not have a material impact on the Authority's financial statements.

In June 2022, the GASB issued GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB No. 62*. This statement will become effective for the Authority for FY2024. Management has not yet determined the impact it will have on the Authority's financial statements.

In June 2022, the GASB issued GASB Statement No. 101, *Compensated Absences*. This statement will become effective for the Authority for FY2025. Management has not yet determined the impact it will have on the Authority's financial statements.

Regulatory Assets and Liabilities

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

Regulatory assets shown in the Authority's statements of net position as of September 30, 2023 and 2022, reflect the following:

Note	2023	2022
(a) Power supply agreements implementation costs	$ 192,607	$ 296,713
(b) Delivery point development costs	2,638,814	2,663,747
(c) Unamortized bond issuance costs	359,265	395,344
(d) Pension	3,679,047	1,832,869
Total regulatory assets	$ 6,869,733	$ 5,188,673

[a] Power supply agreements (PSAs) implementation costs were incurred by the Authority for the former agreement with Alabama Power Company, the contract with Santee Cooper, and the costs of negotiating the Amended and Restated PSA (the "Amended and Restated PSA") with Alabama Power Company. The Authority's Board directed the Authority to defer and amortize these costs over the terms of the agreements. The recorded amounts are presented net of accumulated

amortization of $1,093,290 and $989,184 for 2023 and 2022, respectively.

(b) Delivery point development costs are incurred by the Authority in the construction and upkeep of transmission substations required for Participating Members to efficiently receive power. The Authority's Board directed the Authority to defer and amortize these costs over the life of the contract with Participating Member or the life of the asset, whichever is shorter. The recorded amounts are presented net of accumulated amortization of $1,591,438 and $1,430,328 for 2023 and 2022, respectively.

(c) Bond issuance costs were incurred by the Authority for the Series 2020A Bonds. The Authority's Board directed the Authority to defer and amortize these costs over the life of the bonds. The recorded amounts are presented net of accumulated amortization of $132,402 and $96,323 for 2023 and 2022, respectively.

(d) GASB Statement No. 68 requires that the funded status of defined benefit pensions be included in the Statement of Net Position. The Authority's Board directed the Authority to recognize this amount as a regulatory asset. This recorded amount will change annually based on actuarial values provided by the Retirement Systems of Alabama (RSA). See Note 8 for more details.

Cash and Cash Equivalents

The Authority considers cash and cash equivalents to be all unrestricted, highly liquid instruments, the amounts of which are included in certain funds as of September 30, 2023 and 2022, as follows:

	2023	2022
Revenue fund	$ 29,611,170	$ 44,000,000
Operation and maintenance fund	-	133,652
Total cash and cash equivalents	$ 29,611,170	$ 44,133,652

As of September 30, 2023, the Authority had deposits in public funds accounts at River Bank and Trust totaling $29,182,457. These funds are invested in the Insured Cash Sweep (ICS) service. Through ICS, deposits are sent to other banks' demand deposit accounts and/or money market deposit accounts. The individual sweep amounts are below the standard Federal Deposit Insurance Corporation (FDIC) limits and thus insured by the federal program. The remaining cash and cash equivalents, $428,713 and $921,486 in 2023 and 2022, respectively, were held in a trust account's government portfolio with Regions Bank.

Investments

The Authority accounts for investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this statement, investments are recorded at fair value for purposes of reporting under GAAP. Investments in the debt service fund are stated at amortized cost or cost for purposes of reporting in accordance with the terms of the Resolution. At September 30, 2023 and 2022, the fair value of investments in the revenue fund totaled $39,517,900 and $37,794,605, respectively. These investment securities are bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies.

Receivables from Participating Members

Receivables derived from sales of electricity to Participating Members represent a substantial portion of the total receivables balance.

Capital Fund Program

In 2000, the Authority established the capital fund program. The objective of this program is to assist its member communities in the development or improvement of sites and facilities available for economic development. If a member meets the criteria of the program, it would be eligible for the noninterest bearing loan. The maximum total amount of loans that can be made from this program is $5,000,000 as of September 30, 2023 and was approved by the Budget/Audit/Rate (BAR) Committee of the Board. The Authority's BAR Committee administers this program. The loans are payable based on terms established by this committee.

Materials and Supplies

Materials and supplies include the historical costs of the AMEA-Sylacauga plant materials. Materials are either expensed or capitalized to plant when placed into service and then reconciled with a physical inventory at year end.

Property and Equipment

All property and equipment is recorded at cost, and depreciation is computed using the straight- line method over the estimated useful lives of 2 to 35 years. Depreciation expense was $2,130,687 and $2,140,957 for the years ended September 30, 2023 and 2022, respectively. Property and equipment at September 30, 2023 and 2022, consisted of the following items:

	2023	2022
Electric plant	$ 44,875,217	$ 43,989,725
Building	2,437,061	2,373,002
Land	1,455,009	1,455,009
AMEA solar parks	430,336	306,500
Member solar parks	946,863	924,432
Equipment	731,264	808,384
Transportation equipment	207,006	207,006
SCADA system	335,261	335,261
Construction work in progress	-	34,211
Total property and equipment	$ 51,418,017	$ 50,433,530
Accumulated depreciation	36,564,150	34,564,310
Property and equipment - net	$ 14,853,867	$ 15,869,220

Taxes

As an agency of the state of Alabama, the Authority's income is exempt from federal and state income taxes. The Authority is exempt from property and franchise or other privilege taxes; however, the Authority is subject to a statutory requirement to make a payment in lieu of property, sales, and certain other taxes.

Letter of Credit

The Authority has secured a $900,000 letter of credit as part of its commitment under the Southern Power Requirements Service Agreement for the year ending September 30, 2023. This letter of credit specifically guarantees funding for essential transmission system upgrades, which are required for the Authority to receive transmission service in compliance with an amendment to the Network Integration Transmission Service Agreement under Southern Companies' Open Access Transmission Tariff (OATT). It is important to note that under normal operational circumstances, the drawing on this letter of credit is not anticipated. As of September 30, 2023 there is no balance on the letter of credit. The letter of credit is a requirement under the OATT as a financial safeguard for the transmission provider, regardless of the creditworthiness of the transmission customer.

Revenue Recognition

Operating revenues are recognized in the period that electricity is supplied to Participating Members and others. All other revenues are reflected in other income.

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Renewable Energy Certificates

The United States Environmental Protection Agency defines Renewable Energy Certificates (RECs) as "a market-based instrument that represents the property rights to the environmental, social, and other non-power attributes of renewable electricity generation." The Authority is in possession of RECs in FY 2023; however, the value is currently undeterminable. Future potential gains on the sale of RECs will be recognized in the period in which they are sold.

Reclassifications

Certain prior year amounts may have been reclassified to conform to the current year presentation.

Designated Net Assets

At the August 2019 Board of Directors meeting, the Authority's Board passed a resolution establishing the Electric Vehicle Charging Initiative. $1,000,000 was designated to be set aside from the Authority's reserves for funding of this initiative. This designation was made to assist Members who desire to improve their systems as changes arise from the growing electronic vehicle market and may be used for (1) paying a portion of the costs of establishing electric vehicle charging station infrastructure incurred by the Authority's members electing to establish electric vehicle charging stations; and (2) providing funds for use in conjunction with Authority members obtaining local, state and federal grants requiring matching dollars for use in connection therewith. In FY 2022, the Authority's Board of Directors designated an additional $1,000,000 of reserves to expand this initiative. Any of the designated funds that have not been requested for electric vehicle purposes by September 1, 2024 will be distributed to the Participating Members without an earmark for electric vehicle designation. As of September 30, 2023 and 2022, respectively, $800,629 and $509,385 had been requested and paid out to Participating Members from the Electric Vehicle Charging Initiative.

3. Power Sales Contracts

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

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

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

4. Power Supply Agreements

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

Currently and in the past, the Authority has entered into PSAs with Alabama Power Company (the "Company"), a subsidiary of Southern Company. On December 20, 2001, the Authority entered into its most recent PSA with the Company. The PSA began on January 1, 2006. Under the PSA, the Company will deliver the capacity and energy sold to the Authority at the high voltage side of the transformers at the various generating units of the Company that provide capacity and energy under the PSA. The Company will provide 100% of the Authority's capacity and energy needs, as determined by the Authority, during the contract period, unless the Authority provided the Company notice to supply up to 20% of its 2006 forecasted capacity needs during years 2007–2015. The Company will provide all of the Authority's load growth during the contract period.

Pursuant to the provisions of Section 11-50A-25, Code of Alabama 1975, as amended, the Authority was required to file the PSA with the PSC. On May 7, 2002, the PSC ordered that "the Agreement and the rates to be charged by the Authority pursuant to the provisions of the Agreement are not disapproved by the Commission." The PSA, pursuant to the FERC regulations, does not require the PSC's approval.

On June 7, 2012, the Authority further amended and restated the PSA with the Company. The Amended and Restated PSA is a modification of the PSA entered into on December 20, 2001, with the Company. The Amended and Restated PSA began on January 1, 2013, and continues each calendar year, unless terminated by either the Authority or the Company providing a three-year notice. Service under the Amended and Restated PSA will terminate as of December 31, 2025, pursuant to the notice given by the Authority on September 20, 2022. Until December 31, 2025, the Company will continue to deliver the capacity and energy sold to the Authority at the high voltage side of the transformers at the various generating units of the Company that provide capacity and energy under the Amended and Restated PSA. The Company will provide 100% of the Authority's capacity and energy needs, based on a formulary approach accounting for actual usage, as determined by the Company.

Pursuant to the provisions of Section 11-50A-25, Code of Alabama 1975, as amended, the Authority was required to file the Amended and Restated PSA with the PSC. On July 10, 2012, the PSC ordered that "the Amended and Restated PSA and the rates to be charged by the Authority pursuant thereto are not disapproved by the Commission." The Amended and Restated PSA, pursuant to the FERC regulations, does not require the PSC's approval.

In order for the Authority to obtain transmission service to deliver the capacity and energy to the Authority's metering points with its Participating Members, the Authority entered into the agreement for Network Integration Transmission Service and the Network Operating Agreement, both dated December 29, 2005, with Southern Company Services, an affiliate of the Company. These agreements provide the transmission services required by the Authority to allow it to deliver the output of the resources defined in the PSA, the output of the AMEA-Sylacauga plant (see further discussion below), and to deliver certain non-firm energy transactions. In addition, these agreements allow the Authority to deliver the output of Alternate Resources noticed per the PSA with the Company (see further discussion below). Both the Network Integration Transmission Service and the Network Operating Agreement were renewed for a 10-year period in December 2015.

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

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

On May 29, 2013, the Authority entered into a letter agreement with Tenaska Power Services Co. This agreement provides the Authority the opportunity to buy replacement energy on an hour-to-hour, daily, weekly, and monthly basis under the provisions of the Amended and Restated PSA.

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

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

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

On October 7, 2015, the Authority entered into an agreement for 100 MW of intermediate load capacity and energy through a 5-year contract with the Company. This agreement begins on January 1, 2021 and terminates on December 31, 2025. Under the agreement, the Company will deliver up to 100 MW of capacity and energy to the Southern Company Transmission system. The resource was noticed as an Alternate Resource per the Amended and Restated PSA with the Company and a new Network Resource per the Southern Company Open Access Transmission Tariff procedures.

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

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

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

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

On April 22, 2019, the Authority entered into an agreement for 100 MW of solar energy through a 20-year contract with Blackbear Alabama Solar 1, LLC (“Blackbear”), a subsidiary of Lightsource Renewable Energy US, LLC. The Blackbear agreement was subject to two amendments, the first on March 13, 2020 adjusting the operation date and security stipulations, and the second on October 7, 2021 revising financing deadlines. Under the agreement, as amended, Blackbear will deliver as available the energy output from a 100 MW solar project to the Southern Company Transmission system. The resource was noticed as a solar resource per the Amended and Restated PSA and as a new Network Resource per the Southern Company Open Access Transmission Tariff procedures. This agreement officially began when the solar project reached commercial operation on February 10, 2023.

On October 25, 2019, Energy Southeast, a Cooperative District (the “District”) was incorporated by the Authority in Montgomery, AL. The purpose of the District is to serve as a wholesale supplier of natural gas and electricity for the Authority and its members and other governmentally owned wholesale customers of natural gas and electricity. On December 12, 2019 the Authority elected officers, adopted bylaws, and appointed a board of directors for the District.

On February 12, 2020, the Authority entered into a Requirements Service Agreement (“SPRSA”) with Southern Power. The SPRSA begins on January 1, 2026 and terminates on December 31, 2035. Under the SPRSA, Southern Power will deliver the capacity and energy sold to the Authority at the high voltage side of the transformers at the various generating units of Southern Power that provide capacity and energy under the agreement. Southern Power will provide 100% of the Authority’s capacity and energy needs, based on a formulary approach accounting for actual usage, other than the capacity and energy met by the Authority’s other resources (“Customer Resources”) as outlined in the Agreement. The Customer Resources consist of the AMEA- Sylacauga plant, a 7x24 Block Purchase Agreement, the capacity and energy provided to the Authority’s members by the Southeastern Power Administration in addition to any future solar or energy-only resources the Authority has the option to purchase. Southern Power will provide all of the Authority’s load growth during the contract period. The agreement has been noticed as a new Network Resource per the Southern Company Open Access Transmission Tariff procedures.

On April 30, 2020, the Authority entered into an agreement for 200 MW of baseload capacity and energy through a 10-year contract with MSCG. This agreement begins on January 1, 2026, and continues through December 31, 2035, unless and until terminated by MSCG providing a two-year notice. The supply term cannot be terminated prior to December 31, 2030. Under the agreement, MSCG will deliver 200 MW of capacity and energy to the Southern Company Transmission system. The agreement satisfies one of the Customer Resource requirements under the SPRSA. The agreement has been noticed as a new Network Resource per the Southern Company Open Access Transmission Tariff procedures.

On May 16, 2022, the Authority executed a Limited Assignment Agreement ("First Limited Assignment") between the Authority, MSCG, and the Company. Under the First Limited Assignment, the Authority has the right to assign the title and payment obligation for a specific quantity of energy under the Amended and Restated PSA, to MSCG. The assignment of rights and obligations by the Authority would be done pursuant to a contract notice in conjunction with an electricity prepayment with the District. Pursuant to the provisions of Section 11-50-A, Code of Alabama 1975, as amended, the Authority was required to file the First Limited Assignment with the PSC. On June 14, 2022, the PSC ordered that "the rates to be charged by the Petitioner pursuant to documents previously approved by the Commission as the same may be affected by the First Limited Assignment Agreement are not disapproved by the Commission". The First Limited Assignment, pursuant to the FERC regulations, does not require the PSC's approval. On June 12, 2023, a contract notice was issued for the First Limited Assignment stating the Authority would be assigning energy and the associated payment obligation for that energy to MSCG beginning October 1, 2023 (see further discussion below).

On November 7, 2022 the Authority entered into an International Swaps and Derivatives Association, Inc Master Agreement with J. Aron & Company LLC ("J. Aron") and an associated schedule to that Master Agreement, (collectively "J. Aron ISDA Agreements"). The J. Aron ISDA Agreements allow the Authority to, among other things, enter into derivative transactions to hedge price volatility in fuels associated with power purchases. On November 7, 2022 the Authority also entered into four natural gas swap transactions under the J. Aron ISDA Agreements that correspond to underlying physical purchases of electricity. The natural gas swap contracts settled monthly between May and September of 2023.

On February 2, 2023, the Authority entered into four natural gas swap transactions under the J. Aron ISDA Agreements that correspond to underlying physical purchases of electricity. The natural gas swap contracts will settle monthly between May and September of 2024.

On March 9, 2023, the Authority entered into an International Swaps and Derivatives Association, Inc Master Agreement with MSCG and an associated schedule to that Master Agreement, (collectively "MSCG ISDA Agreements"). The MSCG ISDA Agreements allow the Authority to, among other things, enter into derivative transactions to hedge price volatility in fuels associated with power purchases.

On August 8, 2023, the Authority entered into four natural gas swap transactions under the MSCG ISDA Agreements that correspond to underlying physical purchases of electricity. The natural gas swap contracts will settle monthly between May and September of 2025.

On June 8, 2023, the Authority entered into a Power Supply Contract ("First Power Supply Contract") with the District, that aligns with a debt issuance by the District to secure long-term energy supplies from Morgan Stanley Energy Structuring L.L.C. ("MSES"). MSES will purchase from MSCG, the initial energy that was assigned under the First Limited Assignment.

On July 28, 2023, the Authority executed a second Limited Assignment Agreement (“Second Limited Assignment”) between the Authority, MSCG, and the Company. Under the Second Limited Assignment, the Authority has the right to assign under the Amended and Restated PSA, to MSCG the title and payment obligation for the remaining quantity of energy not assigned in connection with the First Limited Assignment. The assignment of rights and obligations by the Authority would be done pursuant to a contract notice in conjunction with other electricity prepayments with the District. On October 25, 2023, a contract notice was issued for the Second Limited Assignment stating the Authority would be assigning energy and the associated payment obligation for that energy to MSCG beginning March 1, 2024 (see further discussion below).

On October 18, 2023, the Authority entered into a second Power Supply Contract (“Second Power Supply Contract”) with the District, that aligns with an additional debt issuance by the District to secure additional long-term energy supplies from MSES. MSES will purchase from MSCG, the initial energy that was assigned under the Second Limited Assignment.

5. Funds Invested

The Authority’s cash and other funds invested as of September 30, 2023 and 2022, are summarized as follows:

2023	Fair Value	Cost
Money market instruments - mutual funds composed of U.S. Treasury obligations	$ 5,259,255	$ 4,119,400
Cash and cash equivalent accounts	29,611,171	29,611,171
U.S. government bonds and agency certificates	39,517,900	39,987,890
Accrued interest and other	16,764	8,789
Total funds invested	$ 74,405,089	$ 73,727,251
Consisting of:		
Special funds invested	$ 5,259,255	
Current assets - funds invested	69,145,834	
Total funds invested	$ 74,405,089	

2022	Fair Value	Cost
Money market instruments - mutual funds composed of U.S. Treasury obligations	$ 4,119,400	$ 4,119,400
Cash and cash equivalent accounts	44,133,651	44,133,651
U.S. government bonds and agency certificates	37,794,605	39,094,234
Accrued interest and other	8,790	8,789
Total funds invested	$ 86,056,446	$ 87,356,075
Consisting of:		
Special funds invested	$ 4,119,400	
Current assets - funds invested	81,937,046	
Total funds invested	$ 86,056,446	

Investments included in the funds invested categories are stated at fair value, plus any accrued interest.

Credit and Interest Rate Risk

The Authority's policy regarding credit risk on investments is governed by the Resolution, which authorizes the Authority to invest in (1) direct obligations of, or obligations, which the principal and interest are unconditionally guaranteed by the United States of America; (2) direct and general obligations of any state in the United States of America, or of any agency or local government unit thereof whose obligations are fully secured as to principal and interest by cash or obligations of the character described in (1) above; (3) obligations of or guaranteed by any agency or corporation of the United States of America; (4) new housing authority bonds or project notes issued by the public agencies and fully secured as to principal and interest by certain agreements with the United States of America; (5) obligations of any state, territory, or possession of the United States of America or of any political subdivision thereof whose securities are rated by a nationally recognized bond-rating agency in either of its two highest rating categories; (6) certificates of deposit issued by a bank, trust company, or similar institution (the Authority's deposits in any such institution cannot exceed 5% of the institution's capital stock, surplus, and undivided profits, unless fully insured by the FDIC or secured to the extent not insured by certain obligations acceptable under the Resolution); (7) obligations issued or guaranteed by any corporation, which are rated similarly to that described in (5) above; (8) repurchase agreements with a member of the Federal Reserve System, which are collateralized by the types of obligations described above; and (9) interest in a portfolio of money market instruments containing specified types of obligations.

All instruments held by the Authority are in compliance with the Resolution.

The Resolution states that funds will be reinvested to the fullest extent practicable in investment securities, which mature no later than at such time when funds are required for payments to be made from each account. The Resolution also states that all funds held by depositories must be held in accounts that are available for use at the time when needed. The Board of Directors creates further stipulations on all funds invested.

6. Net Costs To Be Refunded To Participating Members

Power rates charged to Participating Members are designed to cover the Authority's "costs" as defined by the Resolution and the Sales Contracts. The Authority's rates are structured to systematically provide for debt service requirements, operating funds, and reserves specified by the Resolution. Recognition of "expenses" (defined according to GAAP), which are not included as "costs," is deferred to such period as it is intended that such "expenses" will be covered by rates. Recognition of the "revenues," which under the Resolution and the Sales Contracts are collected to cover "costs" that are not "expenses," is deferred to such period as it is intended that such "revenues" cover "expenses."

The Authority is required by the Resolution to review and, if necessary, revise its rate structure upon the occurrence of a material change in circumstances, but in any event, at least once every year. The Resolution also permits the Authority to implement rate stabilization practices whereby revenues collected currently may be deposited in a special account to provide for reductions in possible future rate increases that will be required in future years to cover the Authority's costs and other funds requirements mentioned above. Rates charged by the Authority are not subject to the regulatory control of the PSC or FERC.

Net costs to be refunded to Participating Members include the following:

	Year Ended September 30		From Inception to September 30	
	2023	2022	2023	2022
GAAP items not included in billings to participants:				
Amortization of prepaid purchase power contracts	$ -	$ -	$ 152,900,000	$ 152,900,000
Amortization of development costs	-	-	3,200,000	3,200,000
Amortization of bond discounts and issuance costs	42,651	43,965	11,798,416	11,755,765
Amortization of excess costs of bond refundings	173,760	179,113	16,463,999	16,290,239
Interest on revenue bonds	-	-	17,063,216	17,063,216
Expenses paid with bond proceeds	-	-	3,449,600	3,449,600
(Increase) decrease in fair value of funds invested	-	-	-	-
Deferred depreciation on plant	1,533,157	1,533,157	31,690,257	30,157,100
Other	-	-	2,695,346	2,695,346
	1,749,568	1,756,235	239,260,834	237,511,266
Bond resolution requirements included in billings to participants:				
Debt service	1,091,667	1,067,083	232,217,999	231,126,332
Increase in special funds deposits	1,000,000	-	42,358,594	41,358,594
Investment income not available for operating purposes	-	-	1,102,799	1,102,799
	2,091,667	1,067,083	275,679,392	273,587,725
	$ (342,099)	$ 689,152	$ (36,418,558)	$ (36,076,459)

7. Long-Term Debt

Long-term debt as of September 30, 2023, consists of the following serial bonds:

Maturity - September 1	2020 Bonds Effective Interest Rate	Amount
2024	2.025	1,110,000
2025	2.055	1,130,000
2026	2.158	1,155,000
2027	2.288	1,180,000
2028	2.419	1,205,000
2029	2.539	1,235,000
2030	2.589	1,265,000
2031	2.669	1,300,000
2032	2.719	1,335,000
2033	2.769	1,370,000
2034	2.819	1,410,000
2035	2.919	1,450,000
2036	2.998	1,490,000
2037	3.068	1,535,000
2038	3.118	1,580,000
2039	3.168	1,630,000
2040	3.218	1,685,000
		23,065,000
Less current maturities		(1,110,000)
Total revenue bonds long-term debt		21,955,000

Interest on bond issues is payable semiannually.

On February 18, 2020, the Authority closed on the 2020 Series A Bonds. This bond issue was made for the purpose of refunding and retiring the 2013 Series A Bonds. The 2020 Bonds were issued in the aggregate principal amount of $26,965,000 and have a final maturity date of September 1, 2040.

The Authority's bonds are secured by a pledge of all revenues of the Authority and all special funds established by the Resolution subject to certain terms and conditions set forth therein. At September 30, 2023, the Authority was in compliance with its debt covenants. The carrying value and fair values of the 2020 Bonds are summarized in the table below for 2023 and 2022, respectively. Fair value of the bonds is estimated based on quoted market prices.

	September 30, 2023		September 30, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Series 2020 Bonds	$ 23,065,000	$ 18,052,149	$ 24,155,000	$ 19,720,314

8. Retirement Plan

Summary of Significant Accounting Policies

Pensions

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

General Information about the Pension Plan

Plan Description

The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 15 trustees. Act 390 of the Legislature of 2021 created two additional representatives to the ERS Board of Control Effective October 1, 2021. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

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

Benefits Provided

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

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

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to Code of Alabama 1975, Section 36-27-6 to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 608 employers adopted Act 2019-132 as of September 30, 2022.

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.

As of September 30, 2022, the Authority's membership in the Plan consisted of:

	Number
Retired Members Or Their Beneficiaries Currently Receiving Benefits	2
Vested Inactive Members	1
Nonvested Inactive Members	0
Active Members	13
Post-Drop Retired Members Still in Active Service	0
Total	16

Contributions

Participation in the Plan is mandatory for all Authority employees. Employees are classified as either Tier I, those processed in the RSA before January 1, 2013, or Tier II, those processed on or after January 1, 2013. Effective October 1, 2020, The Authority's Board of Directors opted into Act 2019-132, which changed the contribution rate for all Authority employees. The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the preretirement death benefit, and administrative expenses of the Plan. For the years ended September 30, 2023 and 2022, the employee and the Authority contribution rates as a percentage of covered employee payroll and pensionable pay respectively were as follows:

Contributor	September 30, 2023 Tier 1	Tier 2	September 30, 2022 Tier 1	Tier 2
Employee	7.50%	7.50%	7.50%	7.50%
The Authority	11.43	11.32	10.83	11.74

Net Pension Liability

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

	Expected	Actual Before Plan Changes	Actual After Plan Changes
(a) TPL as of September 30, 2021	$ 7,888,206	$ 7,984,134	$ 7,984,134
(b) Discount rate	7.45%	7.45%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2021 - September 30, 2022	116,310	116,310	116,310
(d) Transfers Among Employers:	-	-	-
(e) Actual Benefit Payments and Refunds for the period October 1, 2021 - September 30, 2022	(184,318)	(184,318)	(184,318)
(f) TPL as of September 30, 2022 =[(a)x(1+(b))]+(c)+(d)+[(e)x(1+0.5*(b))]	$ 8,401,004	$ 8,504,078	$ 8,504,078
(g) Difference between Expected and Actual:		$ 103,074	
(h) Less Liability Transferred for Immediate Recognition:		-	
(i) Difference between Expected and Actual - Experience (Gain)/Loss		$ 103,074	
(j) Difference between Actual TPL Before and After Plan Changes - Benefit Change (Gain)/Loss			$ -

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%
Investment Rate of Return*	7.45%

*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

The actuarial assumptions used in the September 30, 2021 valuation were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2020.

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	15.0%	2.8%
US Large Stocks	32.0%	8.0%
US Mid Stocks	9.0%	10.0%
US Small Stocks	4.0%	11.0%
Int'l Developed Mkt Stocks	12.0%	9.5%
Int'l Emerging Mkt Stocks	3.0%	11.0%
Alternatives	10.0%	9.0%
Real Estate	10.0%	6.5%
Cash	5.0%	1.5%
Total	100.0%	

*Includes assumed rate of inflation of 2.00%

Discount Rate

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

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances at September 30, 2021	$ 7,888,206	$ 6,055,337	$ 1,832,869
Changes for the year:			
Service Cost	116,310		116,310
Interest	580,806		580,806
Changes of benefit terms	-		-
Changes of assumptions	-		-
Difference between expected and actual experience	103,074		103,074
Contributions - employer		198,811	(198,811)
Contributions - employee		139,457	(139,457)
Net investment income		(784,256)	784,256
Benefit payments, including refunds of employee contributions	(184,318)	(184,318)	-
Administrative expense		-	-
Transfers Among Employers	-	-	-
Net Changes	615,872	(630,306)	1,246,178
Balances at September 30, 2022	$ 8,504,078	$ 5,425,031	$ 3,079,047

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

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

	1% Decrease (6.45%)		Current Discount Rate (7.45%)		1% Increase (8.45%)
Plans Net Pension Liability (Asset)	$	3,854,776	$	3,079,047	$	2,416,693

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

Based on guidance in GASB Statement No. 71, the related annual retirement expense is shown as a deferred outflow of resources. The Authority's retirement expense for the year ended September 30, 2023, was $214,210.

9. Related Party Transactions

In addition to sales of electricity to Participating Members as discussed in Note 3, the Authority has entered into a Natural Gas Purchase Agreement with the Utilities Board of the City of Sylacauga ("Sylacauga"), one of the Participating Members. The purpose of this agreement is to provide the natural gas requirements for the AMEA-Sylacauga Plant. The Authority also purchases water and sewer services and internet services for the plant from Sylacauga. During the years ended September 30, 2023 and 2022, the Authority's costs to Sylacauga were $2,318,580 and $10,402,705, respectively, under the provisions of this agreement.

Energy Southeast, a Cooperative District, as defined in Note 4, shares officers and directors with the Authority. In FY 2023 the District entered into a power sales agreement with the Authority. Electricity under this contract begins flowing October 1, 2023.

10. Leases

For the year ended September 30, 2022 the financial statements included the adoption of GASB 87. GASB 87 established a single model based on the principle that leases are financing of the right to use an underlying asset. Under GASB 87, a lessor is required to recognize a lease receivable and a deferred inflow of resources, and a lessee is required to recognize a right of use asset and a lease liability. A summary of the leasing activity follows.

The Authority entered into a contract with a tenant to lease office space in the AMEA building for a lease term of 60 months. The lessee does not have the option to purchase the building at the end of the lease term. The discount rate used for the present value of lease receipts is 8%. The Authority has recorded a lease receivable at present value of payments expected to be received during the lease term and a corresponding deferred inflow is also recorded. Subsequently, the lease receivable and deferred inflow are reduced by the lease payments received. For the year ended September 30, 2023, the Authority received $128,489 in rental income and $46,672 in interest income related to the lease. For the year ended September 30, 2022, the Authority received $32,288 in rental income and $8,428 in interest income related to the lease.

Future minimum rental payments to be received are as follows:

Year ending September 30,	Principal	Interest	Total Receipts
2024	$ 115,672	$ 37,887	$ 153,559
2025	130,018	28,116	158,134
2026	145,731	17,147	162,878
2027	126,046	4,967	131,013
Total	$ 517,467	$ 88,117	$ 605,584

11. Subsequent Events

The Authority has evaluated all events or transactions that occurred after September 30, 2023, through the date the accompanying financial statements were available to be issued, February 15, 2024. All subsequent events have been disclosed within previous notes.

Required Supplementary Information

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability										
Service Cost	$ 116,310	$ 100,216	$ 101,462	$ 169,363	$ 164,473	$ 155,137	$ 142,876	$ 143,049	150,269	
Interest	580,806	599,155	555,644	522,515	492,616	469,269	388,788	390,427	369,856	
Changes of benefit terms	-	-	70,432	-	-	-	-	-	-	
Differences between expected and actual experience	103,074	(655,873)	116,404	(1,911)	(5,391)	(70,550)	21,838	(325,444)	-	
Changes of assumptions	-	208,386	-	-	30,485	-	895,586	-	-	
Benefit payments, including refunds of employee contributions	(184,318)	(289,829)	(267,892)	(251,558)	(253,654)	(251,558)	(256,149)	(200,883)	(325,092)	
Transfers among employers	-	-	-	-	-	-	-	-	-	
Net change in total pension liability	615,872	(37,945)	576,050	438,409	428,529	302,298	1,192,939	7,149	195,033	
Total pension liability - beginning	7,888,206	7,926,151	7,350,101	6,911,692	6,483,163	6,180,865	4,987,926	4,980,777	4,785,744	
Total pension liability - ending (a)	$8,504,078	$7,888,206	$7,926,151	$7,350,101	$6,911,692	$6,483,163	$6,180,865	$4,987,926	$4,980,777	
Plan fiduciary net position										
Contributions - employer	$ 198,811	$ 178,639	$ 176,551	$ 165,183	$ 150,833	$ 147,035	$ 149,174	$ 162,684	166,646	
Contributions - member	139,457	139,413	92,675	95,416	90,670	88,142	80,614	79,535	81,026	
Net investment income	(784,256)	1,097,771	266,416	116,591	384,746	473,501	343,780	39,490	358,538	
Benefit payments, including refunds of employee contributions	(184,318)	(289,829)	(267,892)	(251,558)	(253,654)	(251,558)	(256,149)	(200,883)	(325,092)	
Transfers among employers	-	-	-	-	-	-	-	-	-	
Administrative expense	-	-	-	-	-	-	-	-	-	
Net change in plan fiduciary net position	(630,306)	1,125,994	267,750	125,632	372,595	457,120	317,419	80,826	281,118	
Plan net position - beginning	6,055,337	4,929,343	4,661,593	4,535,961	4,163,366	3,706,246	3,388,827	3,308,001	3,026,883	
Plan net position - ending (b)	5,425,031	6,055,337	4,929,343	4,661,593	4,535,961	4,163,366	3,706,246	3,388,827	3,308,001	
Net pension liability (asset) - ending (a)-(b)	3,079,047	1,832,869	2,996,808	2,688,508	2,375,731	2,319,797	2,474,619	1,599,099	1,672,776	
Plan fiduciary net position as a percentage of the total pension liability	63.79%	76.76%	62.19%	63.42%	65.63%	64.22%	59.96%	67.94%	66.42%	
Covered payroll*	$1,953,636	$1,902,796	$1,870,747	$1,859,350	$1,828,936	$1,791,041	$1,684,701	$1,664,962	$1,705,967	
Net pension liability (asset) as a percentage of covered payroll	157.61%	96.33%	160.19%	144.59%	129.90%	129.52%	146.89%	96.04%	98.05%	

*Employer's covered payroll during the measurement period is the total covered payroll. For FY 2023 the measurement period is October 1, 2021 - September 30, 2022.

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution*	$ 214,210	$ 209,953	$ 179,657	$ 182,928	$ 166,441	$ 155,195	$ 153,314	$ 155,002	$ 167,373	
Contributions in relation to the actuarially determined contribution*	214,210	209,953	179,657	182,928	166,441	155,195	153,314	155,002	167,373	
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Covered payroll**	$ 2,016,935	$ 2,028,158	$ 1,899,609	$ 1,870,747	$ 1,859,350	$ 1,828,936	$ 1,791,041	$ 1,684,701	$ 1,664,962	
Contributions as a percentage of covered payroll	10.62%	10.35%	9.46%	9.78%	8.95%	8.49%	8.56%	9.20%	10.05%	

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2023 were based on the September 30, 2020 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	26.8 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 – 5.00%, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

Additional Information for the Years Ended September 30, 2023 and 2022

Alabama Municipal Electric Authority
Statements of Changes in Assets of Funds Invested
For the Year Ended September 30, 2023

	Funds Invested 09/30/2022	Power Billing Receipts	Income - Other Electricity Sales	Other Income	Investment Income	Disbursements	Transfers	Funds Invested 09/30/2023
Debt Service Fund:								
Debt service account	$ 144,984	$ -	$ -	$ -	$ 29,548	$ (1,739,810)	$ 1,710,176	$ 144,898
Debt service reserve account	-	-	-	-	-	-	-	-
	144,984	-	-	-	29,548	(1,739,810)	1,710,176	144,898
General Reserve Fund	-	-	-	-	-	-	-	-
Reserve and Contingency Fund	3,974,416	-	-	-	161,305	-	978,636	5,114,357
Revenue Fund:								
Revenue account	8,790	232,116,165	339,578	1,748,041	816,288	-	(235,012,098)	16,764
Rate stabilization account	44,000,000	-	-	-	-	-	1,000,000	45,000,000
	44,008,790	232,116,165	339,578	1,748,041	816,288	-	(234,012,098)	45,016,764
Operation and Maintenance Fund:								
Operation and maintenance accou	-	-	-	-	-	(246,309,355)	246,309,355	-
Working capital account	37,928,256	-	-	-	1,186,883	-	(14,986,069)	24,129,070
	37,928,256	-	-	-	1,186,883	(246,309,355)	231,323,286	24,129,070
	$ 86,056,446	$ 232,116,165	$ 339,578	$ 1,748,041	$ 2,194,024	$ (248,049,165)	$ -	$ 74,405,089

Alabama Municipal Electric Authority
Statements of Changes in Assets of Funds Invested
For the Year Ended September 30, 2022

	Funds Invested 09/30/2021	Power Billing Receipts	Income - Other Electricity Sales	Other Income	Investment Income	Disbursements	Transfers	Funds Invested 09/30/2022
Debt Service Fund:								
Debt service account	$ 144,569	$ -	$ -	$ -	$ 4,146	$ (1,734,832)	$ 1,731,101	$ 144,984
Debt service reserve account	-	-	-	-	-	-	-	-
	144,569	-	-	-	4,146	(1,734,832)	1,731,101	144,984
General Reserve Fund	-	-	-	-	-	-	-	-
Reserve and Contingency Fund	5,000,000	-	-	-	19,006	-	(1,044,590)	3,974,416
Revenue Fund:								
Revenue account	107	230,382,898	329,162	490,603	(1,379,524)	-	(229,814,456)	8,790
Rate stabilization account	44,000,000	-	-	-	-	-	-	44,000,000
	44,000,107	230,382,898	329,162	490,603	(1,379,524)	-	(229,814,456)	44,008,790
Operation and Maintenance Fund:								
Operation and maintenance accou	-	-	-	-	-	(232,571,617)	232,571,617	-
Working capital account	41,278,748	-	-	-	93,180	-	(3,443,672)	37,928,256
	41,278,748	-	-	-	93,180	(232,571,617)	229,127,945	37,928,256
	$ 90,423,424	$ 230,382,898	$ 329,162	$ 490,603	$ (1,263,192)	$ (234,306,449)	$ -	$ 86,056,446

Alabama Municipal Electric Authority
Revenues, Expenses and Debt Service Coverage Under the Resolution
As of September 30,
(dollars in thousands)

	2019	2020	2021	2022	2023
Revenues:					
Sales of electricity to participants	$207,325	$194,314	$189,080	$242,608	$238,907
Sales of electricity - others	145	149	233	310	351
Investment revenues available for operations	2,016	1,068	4	(1,036)	2,987
Withdrawals from rate stabilization account	0	0	0	0	0
Withdrawals from working capital	0	0	2,600	0	0
Other income	136	18	26	73	1,261
Total Revenues	$209,622	$195,549	$191,943	$241,955	$243,506
Expenses:					
Cost of purchased power	$175,976	$163,857	$159,670	$193,775	$190,706
Peaking Power Project O&M	2,474	1,840	2,771	11,730	3,217
Transmission and distribution	18,280	18,350	19,138	20,133	23,409
Deposit to rate stabilization account	1,000	0	0	0	1,000
Other operating and maintenance expenses	1,470	1,450	1,478	1,435	8,601
Administrative and general expenses	5,355	5,226	5,124	5,913	6,237
Total Expenses	$204,555	$190,723	$188,181	$232,986	$233,170
Net Revenues	$5,067	$4,826	$3,762	$8,969	$10,336
Debt Service	$2,729	$2,125	$1,739	$1,735	$1,740
Debt Service Coverage	1.86	2.27	2.16	5.17	5.94