



Huntsville Utilities
ELECTRICITY • NATURAL GAS • WATER

**City of Huntsville, Alabama
Electric, Natural Gas,
and
Water Systems**

***Component Unit
Financial Statements***

September 30, 2023

Prepared By Financial Services



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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
City of Huntsville Electric, Natural Gas, and Water Systems
Huntsville, Alabama

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type and fiduciary activities of the City of Huntsville Electric, Natural Gas, and Water Systems (the "Utilities"), component units of the City of Huntsville, Alabama, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Utilities 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 and fiduciary activities of the Utilities as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Utilities and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2023, the Utilities adopted new accounting guidance related to subscription-based information technology arrangements. Our audit opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utilities 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 Utilities ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 13, the schedule of changes in the net pension liability on pages 76 through 78, the schedule of employer pension contributions on pages 79 through 81, the schedule of changes in the net OPEB liability on pages 82 through 84, and the schedule of employer OPEB contributions on pages 85 through 86 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information. The other information comprises the statistical highlights on pages 87 through 92 and operating information on pages 93 through 100, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2024, on our consideration of the Department’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department’s internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Huntsville, AL
April 18, 2024

City of Huntsville Electric, Natural Gas, and Water Systems Management's Discussion and Analysis

As of and for the year ending September 30, 2023



The following Management Discussion and Analysis (MD&A) for Huntsville Utilities (Utilities) is intended as an introduction and should be read in conjunction with the financial statements and the notes that follow this section.

System Highlights

Huntsville Utilities Water Department celebrated its 200th year in operation and received the following 2023 Best Operated Plant/Distribution Award from the Alabama Water Pollution Control Association (AWPCA)

1. Best Operated Surface Water Plant 20.1-30 MG – Southeast
2. Best Operated Groundwater Plant > 100,000 – Lincoln – Dallas WTP
3. Best Operated Distribution System 50,001-100,000 Meters – Huntsville Utilities

The Water Department undertook a 20-year master plan to identify the needs and steps to prepare for the continued growth in the region. In addition, the Water Department continued rehabilitations on the South Parkway Water Treatment Plant, first constructed in the 1960's, all for extending the useful life of the plant. Improvements are being made to the infrastructure for the water treatment process, renovations of the operator area and laboratory space, and updates to the latest computer architecture, hardware and software for operating controls.

Huntsville Utilities Electric Department attained the Diamond Status Reliable Public Power Provider (RP3) designation from American Public Power Association. The Electric Department Rodeo Team placed 1st at the International Lineman's Rodeo Municipal Division and 12th overall out of 292 teams. Huntsville Utilities Electric Department responded to two requests for mutual aid this year following storm events impacting Northern Alabama public utilities.

In 2023, the AGPA Gold Status Systems Operational Achievement Recognition Award was earned by the Gas Department.

Huntsville Utilities issued its first ever Community Responsibility Report, received the Government Finance Officers Association Budget Award for the third year running, took 2nd place in the American Public Power Association Safety Award of Excellence, and obtained the first ever state level approved Fiber Apprentice program.

Huntsville Utilities continued to see customer growth in all three departments in FY23:



**City of Huntsville Electric, Natural Gas, and Water Systems
Management’s Discussion and Analysis**

As of and for the year ending September 30, 2023

	2023	2022	Growth %
Electric			
Residential	191,235	184,972	3.39%
Commercial	24,196	23,732	1.96%
Gas			
Residential	56,667	55,276	2.52%
Commercial	5,988	5,907	1.37%
Water			
Residential	94,762	94,006	0.80%
Commercial	11,363	11,200	1.46%

The electric department grew by 6,727 customers over prior year. The residential customer count increased 3.39% or 6,263 customers and commercial customer count increased by 464 or 1.96%.

The gas department grew by 1,472 customers during the twelve months ended September 30, 2023. Residential customers increased by 1,391 or 2.52%, while commercial customers increased by 81 or 1.37%

The water department experienced customer count growth of 919 over the prior year. Residential customer count increased by 756 or 0.8% and commercial customer count increased by 163 or 1.46%.

Overview of the Financial Statements

The Utilities’ financial statements are comprised of the Statements of Net Position; the Statements of Revenues; Expenses and Changes in Net Position; the Statements of Cash Flow; and the accompanying notes. This report also contains required supplementary information in addition to the basic financial statements.

The Statement of Net Position reports the assets and deferred outflows of resources, less liabilities, and deferred inflows of resources, with the difference being net position. Net position will be displayed in three components: net investment in capital assets, restricted, and unrestricted. Over time, increases or decreases in net position may serve as an indicator of whether the financial position is improving or declining. The Statements of Revenues, Expenses and Changes in Net Position show how net position changed during each year based on revenues and expenses. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The Statements of Cash Flows report changes in cash and cash equivalents summarized by net changes from operating, capital, related financing, and investing activities. The notes provide additional detailed information to support the financial statements. The report also includes Statistical Highlights. These highlights convey significant data that affords the readers a better historical perspective and assists in assessing the current financial status and trends of the Utilities.

The Utilities is a Component Unit of the City of Huntsville, Alabama. The Utilities’ statements are provided to the City of Huntsville and reformatted to conform to the City’s format for Component Units. The City of Huntsville incorporates the Utilities’ statements ending September 30 into its statements ending September 30.

By City Ordinance, the Utility is required to account separately for its electric, natural gas and water systems. Costs are allocated to the three systems in a manner that ensures results of operations and changes in financial position are presented fairly and consistently from year to year.

**City of Huntsville Electric, Natural Gas, and Water Systems
Management's Discussion and Analysis**

As of and for the year ending September 30, 2023



**City of Huntsville Electric System
Table A-1
Condensed Statements of Net Position
(In Thousands)**

	2023	2022
Assets		
Current and other assets	\$ 378,377	\$ 370,607
Capital assets, net	404,072	374,118
Total assets	782,449	744,725
Deferred Outflows of Resources		
Pension, Debt Refunding, OPEB	16,464	11,067
Total Assets and Deferred Outflows of Resources	\$ 798,913	\$ 755,792
Liabilities		
Current and other liabilities	70,848	71,550
Long-term liabilities	173,620	165,998
Total liabilities	244,468	237,548
Deferred Inflows of Resources		
Pension, Debt Refunding, OPEB, Deferred Revenue from Leases	140,850	146,591
Net Position	413,595	371,653
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 798,913	\$ 755,792

2023 Compared to 2022:

As of September 30, 2023, the Electric System's total assets were \$799 million, an increase of 5.7%, compared to September 30, 2022. As of September 30, 2023, the Electric System's liabilities were \$244 million, an increase of 2.9% compared to September 30, 2022. As of September 30, 2023, the Electric System's net position was \$414 million, an increase of \$42 million or 11.3%, compared to September 30, 2022. This increase is due primarily to increase in Utility Plant assets and retirement and pension liability obligations. Improved cash and investment balances were the result of credits from the TVA long-term partnership agreement and pandemic relief credit, which ended 09/30/2023, as well as cash received from the Inter-governmental Services Agreement with Redstone Arsenal (IGSA).

**City of Huntsville Electric, Natural Gas, and Water Systems
Management's Discussion and Analysis**

As of and for the year ending September 30, 2023



City of Huntsville Electric System

Table A-2

**Condensed Statement of Revenues, Expenses, and Changes in Net Position
(In Thousands)**

	2023	2022
Operating revenues	\$ 602,461	\$ 616,336
Non-operating revenues	6,141	3,303
Total revenues	608,602	619,639
Operating expense	523,170	518,214
Depreciation and amortization expense	22,773	22,943
Non-operating expense	2,984	4,480
Total expenses	548,927	545,637
Income before transfers	59,676	74,002
Transfers out - tax equivalents	(17,734)	(17,702)
Change in net position	41,942	56,300
Beginning net position	371,653	315,353
Ending net position	\$ 413,595	\$ 371,653

2023 Compared to 2022:

As of September 30, 2023, the Electric System's total revenues were \$609 million, a decrease of 1.8%, compared to September 30, 2022. This decrease includes a 2.89% decrease in consumption from prior year, due to an exceptionally mild winter pattern in 2023. The decrease sales revenues from lower consumption was partially offset by fuel cost and the implementation of step 5 of a 5-year planned increase in rates in October 2023. The increase in non-operating revenues of 85.9% is due primarily to interest income on leases.

The Electric System's operating expenses were \$523 million, a 1.0% increase from the previous year primarily resulting from higher purchased commodity and distribution expenses.

**City of Huntsville Electric, Natural Gas, and Water Systems
Management's Discussion and Analysis**

As of and for the year ending September 30, 2023



City of Huntsville Gas System

Table A-1

**Condensed Statements of Net Position
(In Thousands)**

	2023	2022
Assets		
Current and other assets	\$ 43,283	\$ 47,917
Capital assets, net	154,368	147,435
Total assets	197,651	195,352
Deferred Outflows of Resources		
Pension, Debt Refunding, OPEB	23,128	13,380
Total Assets and Deferred Outflows of Resources	\$ 220,779	\$ 208,732
Liabilities		
Current and other liabilities	7,599	10,983
Long-term liabilities	68,903	51,287
Total liabilities	76,502	62,270
Deferred Inflows of Resources		
Pension, Debt Refunding, OPEB	2,383	8,844
Net Position	141,894	137,618
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 220,779	\$ 208,732

2023 Compared to 2022:

As of September 30, 2023, the Gas System's total assets were \$221 million, an increase of 5.8%, compared to September 30, 2022. This is primarily due to an increase in capital assets of 4.7%. As of September 30, 2023, the Gas System's total liabilities were \$77 million, an increase of 22.9%, compared to September 30, 2022, due to retirement and pension liability obligations. As of September 30, 2023, the Gas System's net position is \$142 million, an increase of 3.1%, compared to September 30, 2022. This is primarily due an increase in capital assets through expansion of the system with new customer connections.

**City of Huntsville Electric, Natural Gas, and Water Systems
Management's Discussion and Analysis**

As of and for the year ending September 30, 2023



City of Huntsville Gas System

Table A-2

**Condensed Statement of Revenues, Expenses, and Changes in Net Position
(In Thousands)**

	2023	2022
Operating revenues	\$ 64,141	\$ 61,977
Non-operating revenues	1,375	469
Total revenues	65,516	62,446
Operating expense	53,066	45,912
Depreciation and amortization expense	5,432	5,005
Non-operating expense	175	2,193
Total expenses	58,673	53,110
Income before transfers	6,844	9,336
Capital contributions	1,012	6,238
Transfers out - tax equivalents	(3,580)	(3,390)
Change in net position	4,276	12,184
Beginning net position	137,618	125,434
Ending net position	\$ 141,894	\$ 137,618

2023 Compared to 2022:

As of September 30, 2023, the Gas System's total revenues were \$66 million, an increase of 4.9%, compared to September 30, 2022. This is primarily due to an increase in commercial and industrial revenue and revenues from IGSA. As of September 30, 2023, the Gas System's expenses were \$59 million, up 10.5% compared to September 30, 2022, due to distribution cost increase and administrative & general.



City of Huntsville Water System

Table A-1

Condensed Statements of Net Position

(In Thousands)

	2023	2022
Assets		
Current and other assets	\$ 64,050	\$ 70,403
Capital assets, net	339,512	322,874
Total assets	403,562	393,277
Deferred Outflows of Resources		
Deferred Pension, Debt Refunding, OPEB	17,625	15,583
Total Assets and Deferred Outflows of Resources	\$421,187	\$408,860
Liabilities		
Current and other liabilities	20,953	21,273
Long-term liabilities	144,249	138,533
Total liabilities	165,202	159,806
Deferred Inflows of Resources		
Deferred Pension, Debt Refunding, OPEB	2,024	4,016
Net Position	253,961	245,038
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$421,187	\$408,860

2023 Compared to 2022:

As of September 30, 2023, the Water System's total assets were \$421 million, an increase of 3.0%, compared to September 30, 2022. The increase is a result of a 5.1% increase in capital assets. As of September 30, 2023, the Water System's total liabilities were \$165 million, an increase of 3.4%, compared to September 30, 2022. This increase relates to an increase in long term liabilities for improvements in treatment plants and distribution improvements in serving the Limestone County area. As of September 30, 2023, the Water System's net position is \$254 million, an increase of 3.6%, compared to September 30, 2022.



City of Huntsville Water System

Table A-2

Condensed Statement of Revenues, Expenses, and Changes in Net Position
 (In Thousands)

	2023	2022
Operating revenues	\$ 57,357	\$ 54,997
Non-operating revenues	2,559	731
Total revenues	59,916	55,728
Operating expense	39,523	32,131
Depreciation and amortization expense	12,559	11,451
Non-operating expense	2,367	6,035
Total expenses	54,449	49,617
Income before transfers	5,467	6,111
Capital contributions	6,465	5,966
Transfers out - tax equivalents	(3,009)	(2,892)
Change in net position	8,923	9,185
Beginning net position	245,038	235,853
Ending net position	\$ 253,961	\$ 245,038

2023 Compared to 2022:

As of September 30, 2023, the Water System's total revenues were \$60 million, an increase of 7.5%, compared to September 30, 2022. Included in this increase is a 4.8% increase in gallons sold, increased commercial sales, increase in number of customers, and other operating income increasing from IGSA revenue. As of September 30, 2023, the Water System's expenses were \$54 million. An increase of 9.7% compared to September 30, 2022, due to an increase in costs in purification, distribution, and administration expenses.

Wes Kelley, Chief Executive Officer

Melissa Marty, Chief Financial Officer



Huntsville Utilities

ELECTRICITY • NATURAL GAS • WATER

Component Unit Financial Statements and Required Supplementary Information

September 30, 2023

City of Huntsville Electric, Natural Gas, and Water Systems
Statements of Net Position

As of and for the year ending September 30, 2023



	Electric	Gas	Water
Assets			
Current assets			
Cash and cash equivalents	\$ 80,049,772	\$ 5,072,548	\$ 4,762,239
Investments	5,603,415	2,734,133	22,255,410
Board designated funds			
Cash and cash equivalents	7,322,396	2,781,139	1,718,397
Investments	15,105,449	11,902,315	7,558,337
Restricted Funds			
Customer deposits			
Cash and cash equivalents	7,391,831	841,619	977,927
Accounts receivable - trade, net	59,091,195	3,523,814	8,477,166
Inventories - materials and supplies	20,656,728	7,254,167	4,938,630
Prepaid expenses	3,657	3,620	1,241
Accrued interest, rent and other receivables, net	5,387,724	1,198,248	634,296
Total current assets	200,612,167	35,311,603	51,323,643
Noncurrent assets			
Restricted noncurrent assets			
Customer deposits			
Cash and cash equivalents	39,529,817	3,414,677	4,997,321
Warrant funds			
Investments	-	281,523	7,040,040
Total noncurrent assets	39,529,817	3,696,200	12,037,361
Other assets			
Regulatory asset - revenue warrant expense	312,582	-	487,032
Subscription-based assets, net	378,215	120,970	201,330
Capital contribution receivable	-	4,153,610	-
Leases receivable	137,544,406	-	-
Total other assets	138,235,203	4,274,580	688,362
Utility Plant			
Plant in service	787,734,042	241,886,860	494,334,218
Construction in progress	27,953,281	14,382,953	36,664,819
Total utility plant	815,687,323	256,269,813	530,999,037
Less accumulated depreciation	(411,614,910)	(101,901,372)	(191,487,254)
Total utility plant, net	404,072,413	154,368,441	339,511,783
Total assets	782,449,600	197,650,824	403,561,149
Deferred Outflows of Resources			
Deferred amount on debt refunding	426,698	-	4,304,112
Excess consideration provided for acquisition	-	-	4,459,389
Deferred amount on OPEB	3,958,768	1,670,885	1,635,368
Deferred amount on pension	12,078,133	21,456,641	7,226,549
Total deferred outflows of resources	16,463,599	23,127,526	17,625,418

City of Huntsville Electric, Natural Gas, and Water Systems
Statements of Net Position

As of and for the year ending September 30, 2023



	Electric	Gas	Water
Liabilities			
Current liabilities			
Accounts payable - trade	\$ 44,390,362	\$ 3,007,529	\$ 3,688,667
Accounts payable - other utility departments	2,616,930	-	3,737,911
Compensated absences	4,435,023	1,268,908	2,076,191
Accrued payroll	1,885,680	538,272	909,594
Subscription-based liabilities, current portion	158,068	49,916	83,923
Customer deposits, current portion	7,391,831	841,619	977,927
Revenue warrants, current portion	3,410,000	1,369,453	7,810,000
Interest payable	1,087,200	6,688	950,129
Other current liabilities	5,473,218	516,545	718,873
Total current liabilities	70,848,312	7,598,930	20,953,215
Noncurrent liabilities			
Net pension liability	43,491,561	54,477,192	22,133,825
Net OPEB liability	20,313,889	8,574,458	8,392,337
Subscription-based liabilities, less current portion	173,922	56,784	93,154
Customer deposits, less current portion	39,529,817	3,414,677	4,997,321
Revenue warrants, less current portion	62,095,000	2,379,597	106,960,000
Unamortized warrant premium	8,016,126	-	1,671,813
Total noncurrent liabilities	173,620,315	68,902,708	144,248,450
Total liabilities	244,468,627	76,501,638	165,201,665
Deferred Inflows of Resources			
Deferred inflows related to pension	475,921	314,660	-
Deferred inflows related to OPEB	4,899,979	2,068,144	2,024,183
Deferred inflows related to leases	135,473,618	-	-
Total deferred inflows of resources	140,849,518	2,382,804	2,024,183
Net Position			
Net investment in capital assets	331,159,387	150,572,069	227,791,810
Restricted	-	-	12,065,158
Unrestricted	82,435,667	(8,678,161)	14,103,751
Total net position	\$ 413,595,054	\$ 141,893,908	\$ 253,960,719

City of Huntsville Electric, Natural Gas, and Water Systems
Statements of Revenues, Expenses, and Changes in Net Position

As of and for the year ending September 30, 2023



	Electric	Gas	Water
Operating Revenues			
Residential	\$ 298,774,778	\$ 25,549,052	\$ 27,240,931
Large commercial and industrial	225,588,220	6,992,185	2,111,191
Small commercial	44,966,266	26,525,879	15,393,279
Government sales	-	-	3,374,962
Public street and highway lighting	5,960,921	-	-
Other sales	-	-	1,060,659
Other operating revenue	27,171,174	5,074,451	8,175,847
Total operating revenues	602,461,359	64,141,567	57,356,869
Operating Expenses			
Purchased commodity	453,673,644	29,047,478	53,605
Purification	-	-	4,444,773
Pumping	-	-	7,043,438
Transmission	141,687	-	-
Distribution	32,204,785	8,259,799	9,499,542
Customer accounting	5,142,402	2,230,952	3,034,295
Administrative and general	32,007,317	13,527,533	15,447,595
Depreciation and amortization	22,773,189	5,431,507	12,558,869
Total operating expenses	545,943,024	58,497,269	52,082,117
Operating income (loss)	56,518,335	5,644,298	5,274,752
Nonoperating (Revenues) Expenses			
(Gain) Loss on sale of assets	(16,060)	(15,475)	(18,829)
Interest income	(6,125,338)	(1,359,338)	(2,539,685)
Interest expense	4,009,321	175,149	3,144,158
Amortization of deferred debt refunding costs	26,906	-	63,221
Amortization of warrant premiums	(1,051,876)	-	(840,754)
Total nonoperating (revenues) expenses	(3,157,047)	(1,199,664)	(191,889)
Income before contributions and transfers	59,675,382	6,843,962	5,466,641
Capital contributions	-	1,011,712	6,464,789
Transfers out - tax equivalent	(17,733,622)	(3,579,440)	(3,008,795)
Change in net position	41,941,760	4,276,234	8,922,635
Net position, beginning of year	371,653,294	137,617,674	245,038,084
Net position, end of year	\$ 413,595,054	\$ 141,893,908	\$ 253,960,719

City of Huntsville Electric, Natural Gas, and Water Systems
Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position
Year ending September 30, 2023



	Electric	Gas	Water
Operating Activities			
Received from customers	\$ 598,707,975	\$ 63,703,707	\$ 57,643,195
Paid to suppliers for goods and services	(488,878,886)	(43,574,509)	(20,210,490)
Paid to employees for salaries and wages	(37,452,683)	(11,995,269)	(17,945,734)
Net cash provided by operating activities	72,376,406	8,133,929	19,486,971
Noncapital Financing Activities			
Transfers out - tax equivalent	(17,733,622)	(3,579,440)	(3,008,795)
Net cash used in noncapital financing activities	(17,733,622)	(3,579,440)	(3,008,795)
Capital and Related Financing Activities			
Payment of principal on long-term debt	(3,240,000)	(1,462,099)	(7,645,000)
Funding advanced from 2021-B warrants	-	-	8,886,217
Additions to plant in service	(54,618,783)	(12,826,831)	(29,225,233)
Cash received from sale of assets	16,060	15,475	18,829
Capital contributions	-	2,160,580	6,464,789
Payment of subscription-based liabilities	(316,078)	(98,755)	(168,278)
Interest expense	(4,041,922)	(178,195)	(2,888,694)
Net cash used in capital and related financing activities	(62,200,723)	(12,389,825)	(24,557,370)
Investing Activities			
Proceeds from (purchase of) investment securities	(5,576,330)	2,177,248	1,610,570
Principal payments from leases	5,335,887	-	-
Interest income earned on investments	6,125,338	1,359,338	2,539,685
Net cash provided by investing activities	5,884,895	3,536,586	4,150,255
Net increase (decrease) in cash and cash equivalents	(1,673,044)	(4,298,750)	(3,928,939)
Cash and cash equivalents, beginning of year	135,966,860	16,408,733	16,384,823
Cash and cash equivalents, end of year	\$ 134,293,816	\$ 12,109,983	\$ 12,455,884
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position			
Cash and cash equivalents, current assets	\$ 94,763,999	\$ 8,695,306	\$ 7,458,563
Cash and cash equivalents, noncurrent assets	39,529,817	3,414,677	4,997,321
Cash and cash equivalents, end of year	\$ 134,293,816	\$ 12,109,983	\$ 12,455,884

City of Huntsville Electric, Natural Gas, and Water Systems
Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position
Year ending September 30, 2023



	Electric	Gas	Water
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities			
Operating income	\$ 56,518,335	\$ 5,644,298	\$ 5,274,752
Adjustments to reconcile operating income to net cash provided by operating activities			
Deferred revenue for leasing agreements	(6,449,557)	-	-
Depreciation and amortization	24,795,979	5,934,411	13,375,732
Change in assets, deferred outflows, liabilities and deferred inflows:			
(Increase) decrease in assets and deferred outflows			
Accounts receivable	(3,753,384)	(437,860)	286,326
Accrued interest, rent and other receivables	(292,002)	(871,019)	2,082,058
Inventory	(1,057,124)	(1,578,321)	(1,452,493)
Prepaid items	13,878	17,656	36,684
Regulatory asset - revenue warrant expense	26,907	-	63,221
Subscription-based assets	648,068	(161,604)	(270,634)
Deferred outflows related to pension and OPEB	(5,445,025)	(9,747,908)	(3,133,481)
Increase (decrease) in liabilities and deferred inflows			
Accounts payable	(2,818,270)	(3,835,186)	(1,395,214)
Compensated absences	694,407	253,456	596,236
Accrued payroll	205,361	55,733	134,041
Other current liabilities	942,586	64,736	55,556
Subscription-based liabilities	(509,396)	205,455	345,355
Customer deposits	2,632,825	138,053	551,485
Net OPEB liability	1,483,125	179,853	(257,413)
Net pension liability	7,794,870	18,733,329	5,186,960
Deferred inflows related to pension and OPEB	(3,055,177)	(6,461,153)	(1,992,200)
Total adjustments	15,858,071	2,489,631	14,212,219
Net cash provided by operating activities	\$ 72,376,406	\$ 8,133,929	\$ 19,486,971
Reconciliation of Depreciation and Amortization			
Totals to Statements of Cash Flows			
Amortization of subscription-based assets	\$ 131,181	\$ 40,634	\$ 69,304
Amortization of excess consideration	-	-	719,257
Depreciation expense	22,642,008	5,390,873	11,770,308
Total depreciation and amortization expense	22,773,189	5,431,507	12,558,869
Depreciation of transportation equipment included in distribution expense	2,022,790	502,904	816,863
Total depreciation and amortization	\$ 24,795,979	\$ 5,934,411	\$ 13,375,732

City of Huntsville Electric, Natural Gas, and Water Systems
Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position
Year ending September 30, 2023



	Electric	Gas	Water
Assets			
Cash and cash equivalents	\$ 530,053	\$ 223,733	\$ 218,967
Investments			
Pfm Multi Manager Domestic	5,760,820	2,431,618	2,379,814
Pfm Multi Manager International	2,960,981	1,249,817	1,223,191
PFM Multi Manager Fixed Income	5,417,498	2,286,703	2,237,986
Accrued income	1,943	821	803
Total assets	14,671,295	6,192,692	6,060,761
Net position	\$ 14,671,295	\$ 6,192,692	\$ 6,060,761
Additions			
Employer contributions	\$ 2,317,227	\$ 978,092	\$ 957,254
Less benefits paid	(1,336,407)	(564,092)	(552,074)
Investment income			
Interest and dividends	327,400	138,194	135,250
Realized gain (loss)	(11,425)	(4,822)	(4,720)
Change in market value	893,457	377,124	369,090
Net investment income	1,209,432	510,496	499,620
Total additions	2,190,252	924,496	904,800
Deductions			
Administrative expenses	17,223	7,270	7,115
Increase in net position before reallocation	2,173,029	917,226	897,685
Reallocation of OPEB	458,736	(91,747)	(366,989)
Increase in net position	2,631,765	825,479	530,697
Net position restricted for OPEB, beginning of year	12,039,530	5,367,213	5,530,064
Net position restricted for OPEB, end of year	\$ 14,671,295	\$ 6,192,692	\$ 6,060,761



Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of Huntsville Electric, Natural Gas, and Water Systems (the “Utilities” or “HU”) have been prepared in accordance with generally accepted accounting principles of the United States of America (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Utilities’ accounting principles are described below.

Reporting Entity

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary Government is financially accountable for agencies that make up its legal entity. It is also financially accountable for a legally separate agency if its officials appoint a voting majority of that agency’s governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. There are no component units which should be included as part of the financial reporting entity of the Utilities. However, the Utilities are a component unit of the City of Huntsville, Alabama.

The fiduciary net position of the Utilities OPEB Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from the OPEB Plan's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Financial Presentation

The Utilities are operated by separate Boards for the electric, natural gas, and water systems (collectively, the “Boards”). The Boards are responsible for the day-to-day operations of the Utilities and for making recommendations to the City for major capital outlays and rate revisions. The Electric Board consists of three members appointed by the Huntsville City Council for staggered three year terms. The Natural Gas and Water Boards are made up of the same three members who serve on each Board, simultaneously. The Boards have hired a President and CEO to administer all three utilities. Financial statements are presented for each Board. The footnotes are presented separately for each Board, where applicable, and jointly for areas where common descriptions exist.

Basis of Accounting

The Utilities use the accrual basis of accounting under which revenues are recognized when earned and expenses are recognized when incurred, even though actual payment or receipt may not occur until after the period ends.



Note 1 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

The financial statements of the Utilities have been prepared in accordance with generally accepted accounting principles of the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Utilities’ accounting principles are described below.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Utilities consider all highly liquid temporary cash investments with low interest rate risk to be cash equivalents. Cash purchases and sales of these investments generally are part of the entity's cash management activities rather than part of its operating, investing and financing activities, and details of these transactions are not reported in the Statements of Cash Flows. Restricted funds are provided for under trust indentures and are not considered cash equivalents. All restricted funds are considered investments for purposes of classification in the Statements of Cash Flows.

The Boards have designated that cash assets be set aside in each System to fund construction and renewal and replacement activity. The designations are segregated in the Statements of Net Position as Board Designated Funds. Designations are relieved once the Board has approved expenditures from those funds. The designated balances are fully funded and are not separately stated in net position at September 30, 2023.

Investments

Investments in U.S. Treasury, government agency, and state and local government securities are recorded at fair value, as determined by quoted market prices. Investments in overnight repurchase agreements and commercial paper are recorded at cost, which approximates fair value.

Accounts Receivable - Trade

Accounts receivable consist of amounts due from customers primarily for electric, natural gas, and water charges. The Electric and Water Systems act as billing and collection agents for other City of Huntsville, City of Madison, and Madison County utility departments. Current earnings are charged with an allowance for doubtful accounts based on age of account. Receivables are due 15 days after the issuance of the invoice and are considered delinquent when more than 18 days past due. Accounts considered uncollectible throughout the year are charged against the allowance. The allowance for doubtful accounts at September 30, 2023 was:

	Electric	Gas	Water
Accounts receivable - trade	\$ 42,989,907	\$ 2,909,406	\$ 6,981,535
Unbilled utility receivable	16,445,567	809,579	1,495,630
Allowance for doubtful accounts	(344,279)	(195,171)	-
Total accounts receivable – trade, net	\$ 59,091,195	\$ 3,523,814	\$ 8,477,165



Note 1 – Summary of Significant Accounting Policies (Continued)

Leases

The Utilities is a lessor for noncancellable leases of buildings, equipment, and infrastructure. At the commencement of a lease, the Utilities initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments related to leases include how the Utilities determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The Utilities uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Utilities generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the Utilities is reasonably certain to exercise. The Utilities monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Right-to-Use-Assets

The Utilities determines whether an arrangement is a right-to-use-asset at inception. The Utilities has one type of right-to-use-asset: subscription-based information technology arrangements (SBITAs). These arrangements are included in other assets (net of accumulated amortization) and subscription liabilities on the Statements of Net Position. Right-to-use-assets represent the Utilities right to use an underlying asset for the agreement term and the related liabilities represent the obligation to make payments arising from the right-to-use-assets. Right-to-use-assets and related liabilities are recognized at commencement date based on the present value of right-to-use-asset payments over the term of use. As most of the Utilities agreements do not provide an implicit rate, an incremental borrowing rate based on the information available at the commencement date is used in determining the present value of payments. The right-to-use-asset also includes any payments made and excludes incentives. Right-to-use-asset terms may include options to extend or terminate the agreement when it is reasonably certain that those options will be exercised. The Utilities maintain a \$5,000 capitalization threshold for SBITAs. SBITA amortization is computed using the straight-line method over the length of the contract term.

Materials and Supplies Inventories

Materials and supplies inventories are stated at the lower of cost (average cost) or market using the first-in, first out consumption method of inventory accounting. The stored inventory is reflected at the aggregate amount of the lower of cost (average cost) or market.

Fuel Management Program

In connection with the purchase of natural gas, the Natural Gas System has developed and implemented a procurement program intended to manage the risk of changes in the marketplace of natural gas. Pursuant to this program, the Utilities may execute fixed price and options contracts from time to time to help manage fluctuations in the market prices of natural gas.



Note 1 – Summary of Significant Accounting Policies (Continued)

Utility Plant

The Utilities maintain a \$5,000 capitalization threshold for equipment, land, buildings, and improvements. Utility plant and construction in progress are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the assets ranging from three to 55 years. Retirements of units of property from service are credited against plant in service at the original cost of the units and accumulated depreciation is debited at the date of retirement. Improvements that extend the useful life of the assets are capitalized and depreciated over the remaining useful life of the asset. The cost of maintenance, repairs, and replacement of minor items of property are charged to operations and maintenance accounts.

Regulatory Accounting

Regulatory accounting allows a regulated utility to defer a cost (a regulatory asset) or recognize an obligation (a regulatory liability) if it is probable that through the rate making process, there will be a corresponding increase or decrease in future revenues. Accordingly, Huntsville Utilities has recognized certain regulatory assets in the accompanying Statements of Net Position. In the event Huntsville Utilities no longer meets the criteria for regulated operations under GASB Statement No. 62, Huntsville Utilities would be required to recognize the effects of any regulatory change in assets or liabilities in its Statements of Revenues, Expenses, and Changes in Net Position. The following are the regulatory assets included in the Statements of Net Position:

	Electric System	Gas System	Water System
Regulatory assets:			
Non-current:			
Unamortized debt expense	\$ 312,582	\$ -	\$ 487,032

Accounts Receivable/Payable from/to Other Utilities

Included in other receivables are amounts due from the other utility systems for services rendered to them by the Utilities. Included in the payable is cash held by the Utilities for the amounts owed to the City of Huntsville and other utilities for services rendered by them to the Utilities.

Recognition of Revenues

Revenues are recognized from meters read on a daily basis. Service that has been rendered from the latest date of each meter-reading cycle to month end is estimated and accrued as unbilled revenue receivable.

Operating Revenues and Expenses

The Utilities consider all revenues and expenses associated with utility sales to be operating revenues and expenses. Any revenues or expenses not meeting this definition are considered to be nonoperating revenues or expenses.



Note 1 – Summary of Significant Accounting Policies (Continued)

Grants in Aid to Construction

It is the Electric System's policy not to record amounts as grants in aid of construction, in accordance with guidelines established by FERC. The substance of this accounting treatment is to reduce the cost of operating the Electric System by reducing depreciation expense.

It is the Water and Natural Gas System's policy to record grants in aid of construction and other amounts received as capital contributions in the Statements of Revenues, Expenses, and Changes in Net Position.

Amortization

Amortization of bond discounts and premiums is computed on the effective interest method. Amortization of regulatory assets is computed on a straight-line basis over the expected recovery of such costs in future rates, estimated to be 20 years. SBITA amortization is computed using the straight-line method over the length of the contract term.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make various estimates. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to the allowance for doubtful accounts, net pension liability, net OPEB liability.

Environmental Costs

Huntsville Utilities expenses, on a current basis, certain known costs incurred in complying with environmental regulations and conducting remediation activities.

Pensions

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

Recent Accounting Pronouncements

GASB has issued the following pronouncements that may affect current or future financial position, results of operations, cash flows, or financial presentation of the Utilities upon implementation.



Note 1 – Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

GASB Statement Number	GASB Accounting Standard	Effective Fiscal Year
91	Conduit Debt Obligations	2023
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	2023
96	Subscription-Based Information Technology Arrangements	2023
99	Omnibus (GASBs 34, 53, 63, 70, 87, 94, and 96)	Various
100	Accounting Changes and Error Corrections	2024
101	Compensated Absences	2025
102	Certain Risk Disclosures	2025

The Governmental Accounting Standards Board has issued statements that that became effective for the year ending September 30, 2023. These statements are as follows:

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.



Note 1 – Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

In May 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature. This Statement addresses a variety of topics and includes specific provisions about the following:

- Provides clarification of provisions in Statement 34. The phrase “the reporting government as a whole” found in paragraphs 6 and 13 of GASB34 is replaced with “overall reporting government” to avoid confusion about the reporting of a total column for the financial reporting entity in the financial statements and to clarify that the requirements apply regardless of whether a total column is presented. The changes to Statement 34 are effective upon issuance.
- Provides clarification of the classification and reporting of derivative instruments in Statement 53. Terminology updates related to Statement 53 are effective upon issuance. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023.
- Updates terminology in Statement 63 to certain provisions of Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. Terminology updates are effective upon issuance.
- Provides clarification to Statement 87 related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Statement 94 – Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset. Effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.



Note 1 – Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

- Clarification of provisions in Statement 96 Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. This clarification is effective for fiscal years beginning after June 15, 2022.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In June 2022, GASB issued GASB Statement 100 *Changes in accounting principles, changes in accounting estimates, and corrections of errors*. Error corrections are defined more clearly in Statement 100. Statement 100 simplifies accounting for reporting entity changes by requiring only the current reporting period's beginning balances to be adjusted, not the earlier period in comparative financial statements. Statement 100 requires that the cumulative amount of adjustments and restatements be displayed on the face of the financial statements between the originally reported balances and the adjusted or restated balances. Statement 100 adds a requirement to disclose which line items in the financial statements were affected by an accounting change or error correction (excluding subtotals and totals) and clarifies that governments should disclose when changes or corrections result in reclassifications within the financial statements despite beginning balances remaining unchanged. Lastly, suppose a government's adjustments or restatements of beginning balances are aggregated when displayed in the financial statements. In that case, the effects on the beginning balances of the individual changes or corrections should be disclosed in a tabular format in the notes. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

In June 2022, GASB issued GASB Statement 101. Statement 101 replaces Statement No. 16, *Accounting for Compensated Absences*. The purpose of GASB Statement 101 is to align recognition and measurement guidance for all types of compensated absences under a unified model, resulting in greater consistency and improved comparability. Under GASB No. 101, there are three general criteria that must be met for recognizing a liability for unused leave. Leave must be for services already rendered, leave must accumulate, and leave must be more likely than not to be used for time-off or paid or settled. This Statement is effective for fiscal years beginning after December 15, 2023.

In December 2023, GASB issued GASB Statement 102 *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to government's vulnerabilities due to certain concentrations or constraints. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.



Note 1 – Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government’s vulnerability to the risk of a substantial impact.

The disclosure should include descriptions of the following:

- The concentration or constraint.
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements.
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

This Statement is effective for fiscal years beginning after June 15, 2024.

HU is evaluating the requirements of the above statements and the impact on reporting.

Note 2 – Cash, Cash Equivalents, and Investments

At September 30, 2023, all cash and cash equivalents of the Utilities are entirely insured or collateralized as provided by the Security for Alabama Funds Enhancement Act (“SAFE”) as prescribed in section 41-14A of the code of the state of Alabama with a Qualified Public Fund Depository. Funds held by the banks’ trust departments or agents are invested in U.S. governmental securities or are secured by U.S. government securities.

A summary of cash and investments for the year ended September 30, 2023, is shown on the following page.



Note 2 – Cash, Cash Equivalents, and Investments (Continued)

	Electric System	Gas System	Water System
Carrying amounts of:			
Cash and cash equivalents			
Unrestricted	\$ 80,049,772	\$ 5,072,548	\$ 4,762,239
Customer deposits - restricted	46,921,648	4,256,296	5,975,248
Board designated	7,322,396	2,781,139	1,718,397
Investments			
Unrestricted	5,603,415	2,734,133	22,255,410
Warrant - restricted	-	281,523	7,040,040
Board designated	15,105,449	11,902,315	7,558,337
Total	\$ 155,002,680	\$ 27,027,954	\$ 49,309,671
Cash and cash equivalents			
Unrestricted	\$ 80,049,772	\$ 5,072,548	\$ 4,762,239
Customer deposits - restricted	46,921,648	4,256,296	5,975,248
Investments - unrestricted	5,603,415	2,734,133	22,255,410
Investments - restricted			
Warrant construction funds	-	281,523	7,040,040
Board designated accounts			
Cash and cash equivalents			
Insurance fund	458,527	(20,331)	(20,303)
Worker's compensation fund	120,488	(93,583)	138,008
Construction fund	1,607,380	2,771,164	1,553,035
Renewal and replacement fund	4,772,706	123,889	31,322
Emergency fund	363,295	-	-
System development	-	-	16,335
Investments			
Insurance fund	1,541,473	1,020,331	1,020,303
Worker's compensation fund	1,879,512	1,093,583	861,992
Construction fund	9,047,759	7,403,516	5,676,042
Emergency fund	2,636,705	-	-
Rate stabilization fund	-	2,384,885	-
Total	\$ 155,002,680	\$ 27,027,954	\$ 49,309,671



Note 2 – Cash, Cash Equivalents, and Investments (Continued)

At September 30, 2023, the Utilities had the following investments:

	Fair value	Maturities (in years)			Level
		Less than 1	1-5	More than 5	
Investments by fair value level					
Money Market Funds - Insured Cash Sweep					
Money Market Funds - MMDA Sweep					
Money Market Funds - U.S. Treasury Obligations	\$ 8,311,580	\$ 8,311,580	\$ -	\$ -	1
Certificate of Deposits	\$ 500,000	\$ 500,000	\$ -	\$ -	1
Government Sponsored Enterprises	\$ 63,669,042	\$ 21,951,326	\$ 41,717,716	\$ -	1
Total investments measured by fair value level	72,480,622	\$ 30,762,906	\$ 41,717,716	\$ -	

Interest Rate risk - is the risk of fixed-maturity investments fluctuating in response to changes in market interest rates. The Utilities manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio in the bond funds to such stated maturities as will assure the availability of cash sufficient to pay, on a timely basis, the interest, and principal of the bonds coming due.

Credit risk - in the Utilities' bond indentures for the outstanding Electric System Revenue Warrants, Gas System Revenue Warrants, and the Water System Revenue Warrants, limit the investments of the various restricted bond funds to the following: (a) securities that are direct obligations of the United States and any securities that are with respect to which the payment of the principal thereof and the interest thereon is unconditionally and irrevocably guaranteed by the United States; (b) custodial receipts evidencing ownership in United States Treasury obligations; and (c) demand or time deposits in domestic banks rated no less than "AA" by Standard & Poor's Ratings Services or "Aa" by Moody's Investors Service.

At September 30, 2023 the Utilities' investments other than the restricted bond funds consisted of Money Market Funds, Certificates of Deposit, and Government Sponsored Enterprise Investments.

Custodial Credit risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Utilities will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Each of the investments listed above are in the possession of an outside party.

GASB Codification Section 3100: Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the codification are described as follows:

Level 1 (L1): Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Utilities has the ability to access.



Note 2 – Cash, Cash Equivalents, and Investments (Continued)

Level 2 (L2): Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the assets or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 (L3): Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value measurements of the Utilities’ investments at September 30, 2023 are as follows:

	Level 1	Total
Money Market Funds - U.S. Treasury Obligations	\$ 8,311,580	\$ 8,311,580
Certificate of Deposits	500,000	\$ 500,000
Government Sponsored Enterprises	63,669,042	\$ 63,669,042
	<u>72,480,622</u>	<u>\$ 72,480,622</u>

There have been no changes in the methodologies used at September 30, 2023.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Utility believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Concentration of Credit risk - Concentration of credit risk is the risk of loss attributable to the quantity of the Utilities’ investment in a single issuer. Investments in single issuers that equal or exceed 5% of total investments have a reportable concentration of credit risk. There are no investments held by a trustee that represent greater than 5% of total investments.



Note 3 – Leases

Related to lease agreements where HU Electric System is the lessor, as of September 30, 2023, HU recognized leases receivable of \$137,544,406 with a corresponding deferred inflow of resources of \$135,473,618. HU recognized amortization expense of the deferred inflows of \$6,449,557 and reduced the lease receivable by payments of \$5,335,887.

<u>Electric System</u>	Balance as of		Additions		Reductions		Balance as of	
	October 1, 2022						September 30, 2023	
Leases Receivable								
Buildings - Office Space								
911 Disaster Recovery Center	\$	1,034,448	\$	-	\$	21,259	\$	1,013,189
City of HSV - Suite 201, 101 Church Street SW		563,763		-		139,608		424,155
YMCA - 101 Church Street SW		1,377,092		-		236,980		1,140,112
Total Building Lease Receivable		2,975,303		-		397,847		2,577,456
Equipment - Colocation								
Traveller		273,168		-		10,620		262,548
Total Equipment Lease Receivable		273,168		-		10,620		262,548
Infrastructure - Fiber								
DC Blox		36,263		-		7,938		28,325
Google		134,398,580		3,606,000		4,761,756		133,242,824
HSV City Schools		115,140		-		51,218		63,922
Traveller		1,318,078		157,761		106,508		1,369,331
Total Infrastructure Lease Receivable		135,868,061		3,763,761		4,927,420		134,704,402
Total Leases Receivable	\$	139,116,532	\$	3,763,761	\$	5,335,887	\$	137,544,406

<u>Electric System</u>	Balance as of		Additions		Reductions		Balance as of	
	October 1, 2022						September 30, 2023	
Deferred Inflow of Resources - Leases								
Buildings - Office Space								
911 Disaster Recovery Center	\$	1,022,870	\$	-	\$	34,096	\$	988,774
City of HSV - Suite 201, 101 Church Street SW		562,289		-		140,572		421,717
YMCA - 101 Church Street SW		1,370,093		-		241,781		1,128,312
Total Building Deferred Inflow of Resources		2,955,252		-		416,449		2,538,803
Equipment - Colocation								
Traveller		272,658		-		13,866		258,792
Total Equipment Deferred Inflow of Resources		272,658		-		13,866		258,792
Infrastructure - Fiber								
DC Blox		36,170		-		8,115		28,055
Google Fiber		133,470,256		3,606,000		5,842,870		131,233,386
HSV City Schools		114,999		-		51,287		63,712
Traveller		1,310,079		157,761		116,970		1,350,870
Total Infrastructure Deferred Inflow of Resources		134,931,504		3,763,761		6,019,242		132,676,023
Total Deferred Inflow of Resources - Leases	\$	138,159,414	\$	3,763,761	\$	6,449,557	\$	135,473,618



Note 3 – Leases (Continued)

Principal and Interest Expected to Maturity

Fiscal Year	Electric System		
	Principal Payments	Interest Payments	Total Payments
2024	\$ 5,493,158	\$ 2,508,478	\$ 8,001,636
2025	5,554,084	2,411,167	7,965,251
2026	5,633,544	2,310,806	7,944,350
2027	5,571,386	2,209,050	7,780,436
2028	5,559,224	2,106,425	7,665,649
2029-2033	28,514,729	8,962,632	37,477,361
2034-2038	31,331,216	6,156,858	37,488,074
2039-2043	33,799,972	3,068,906	36,868,878
2044-2048	15,906,120	384,598	16,290,718
2049-2052	180,973	7,039	188,012
Totals	\$ 137,544,406	\$ 30,125,959	\$ 167,670,365



Note 4 – Utility Plant in Service

The following is a summary of changes in capital assets during the year ended September 30, 2023:

Electric System

	Balance 9/30/2022	Additions	Reductions	Transfers	Balance 9/30/2023
Land and land rights	\$ 5,154,038	\$ -	\$ -	\$ -	\$ 5,154,038
Structures and improvements	668,928,157	27,679,753	(6,085,900)	10,356,868	700,878,878
Furniture, fixtures and other	76,843,877	4,865,649	(399,158)	390,758	81,701,126
Total plant in service	750,926,072	32,545,402	(6,485,058)	10,747,626	787,734,042
Less accumulated depreciation	(393,876,070)	(24,664,798)	6,925,958	-	(411,614,910)
Construction in progress	17,068,426	22,073,381	(440,900)	(10,747,626)	27,953,281
Total utility plant, net	<u>\$ 374,118,428</u>	<u>\$ 29,953,985</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 404,072,413</u>

Natural Gas System

	Balance 9/30/2022	Additions	Reductions	Transfers	Balance 9/30/2023
Land and land rights	\$ 1,803,038	\$ -	\$ -	\$ -	\$ 1,803,038
Structures and improvements	208,847,645	6,446,501	(81,747)	8,625,169	223,837,568
Furniture, fixtures and other	15,175,187	1,009,062	(91,448)	153,453	16,246,254
Total plant in service	225,825,870	7,455,563	(173,195)	8,778,622	241,886,860
Less accumulated depreciation	(96,180,790)	(5,893,777)	173,195	-	(101,901,372)
Construction in progress	17,790,307	5,371,268	-	(8,778,622)	14,382,953
Total utility plant, net	<u>\$ 147,435,387</u>	<u>\$ 6,933,054</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,368,441</u>

Water System

	Balance 9/30/2022	Additions	Reductions	Transfers	Balance 9/30/2023
Land and land rights	\$ 2,279,642	\$ -	\$ -	\$ -	\$ 2,279,642
Structures and improvements	451,099,847	8,883,717	(2,475,180)	16,210,498	473,718,882
Furniture, fixtures and other	17,383,418	979,801	(34,170)	6,645	18,335,694
Total plant in service	470,762,907	9,863,518	(2,509,350)	16,217,143	494,334,218
Less accumulated depreciation	(181,530,026)	(12,587,171)	2,629,943	-	(191,487,254)
Construction in progress	33,640,840	19,361,715	(120,593)	(16,217,143)	36,664,819
Total utility plant, net	<u>\$ 322,873,721</u>	<u>\$ 16,638,062</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 339,511,783</u>



Note 5 – Long-Term Debt

Long-term liability activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Electric System</u>					
Series 2017 A	\$ 53,490,000	\$ -	\$ (1,615,000)	\$ 51,875,000	\$ 2,170,000
Series 2017 B	15,255,000	-	(1,625,000)	13,630,000	1,240,000
Unamortized premium	9,068,002	-	(1,051,876)	8,016,126	-
Long Term Debt	\$ 77,813,002	\$ -	\$ (4,291,876)	\$ 73,521,126	\$ 3,410,000

<u>Gas System</u>					
Series 2019-A	\$ 3,223,760	\$ -	\$ (435,934)	\$ 2,787,826	\$ 408,229
Series 2019-B	1,987,389	-	(1,026,165)	961,224	961,224
Long Term Debt	\$ 5,211,149	\$ -	\$ (1,462,099)	\$ 3,749,050	\$ 1,369,453

<u>Water System</u>					
Series 2013	\$ 110,000	\$ -	\$ (110,000)	\$ -	\$ -
Series 2015	11,680,000	-	(3,700,000)	7,980,000	3,890,000
Series 2016	7,525,000	-	(475,000)	7,050,000	505,000
Series 2021-A	6,825,000	-	(840,000)	5,985,000	880,000
Series 2021-B	71,010,000	-	(1,430,000)	69,580,000	1,430,000
Series 2021A-DWSRF-DL	10,185,000	-	(440,000)	9,745,000	445,000
Series 2021B-DWSRF-DL	15,080,000	-	(650,000)	14,430,000	660,000
Unamortized premium	2,512,567	-	(840,754)	1,671,813	-
Long Term Debt	\$ 124,927,567	\$ -	\$ (8,485,754)	\$ 116,441,813	\$ 7,810,000

Electric System

City of Huntsville, Alabama Electric System Revenue and Term Warrants, Series 2017 A - Electric System Revenue Warrants, Series 2017 A, were issued in the original amount of \$59,160,000. The warrants mature serially on December 1 each year and bear interest according to stated maturity dates as disclosed below.



Note 5 – Long-Term Debt (Continued)

Electric System (Continued)

The 2017-A issue contained issuance cost of \$364,297 that are classified as regulatory asset and amortized over 20 years. At September 30, 2023, the unamortized regulatory asset is \$235,809. The 2017-A issue also contained a premium of \$11,204,297 that is being amortized over 20 years. At September 30, 2023, the unamortized premium is \$6,571,978. The 2017-A Warrants are secured by the net revenues from the operations of the Electric System after payment of operating expenses. The 2017-A Warrants were issued to pay for the costs of capital improvements to the Electric System.

Optional Redemption: Those of the Series 2017-A Warrants having a stated maturity on and after December 1, 2027, shall be subject to redemption and payment, at the option of the City, on June 1, 2027, and on any date thereafter, as a whole or in part (but if redeemed in part, only in installments of \$5,000 or any integral multiple thereof with those of the maturities to be redeemed to be selected by the City, and if less than all the Series 2017-A Warrants of a single maturity are to be redeemed, those (or portions thereof)) of that maturity to be redeemed to be selected by the Trustee by lot), at and for Redemption Price with respects to each such Series 2017-A Warrants (or portion thereof) redeemed equal to the principal amount redeemed, plus accrued interest to the Redemption Date.

City of Huntsville, Alabama Electric System Revenue and Term Warrants, Series 2017 B - Electric System Revenue Warrants, Series 2017 B, were issued in the original amount of \$21,190,000. The warrants mature serially on December 1 each year and bear interest according to stated maturity dates as discussed below.

The 2017-B issue contained issuance cost of \$130,370 that are classified as a regulatory asset and amortized over 15 years. At September 30, 2023, the unamortized regulatory asset is \$76,773. The 2017-B issue also contained a premium of \$3,669,067 that is being amortized over 15 years. At September 30, 2023, the unamortized premium is \$1,444,147.

Optional Redemption: Those of the Series 2017-B Warrants having stated maturity on and after December 1, 2027, shall be subject to redemption and payment, at the option of the City, on June 1, 2027, and on any date thereafter, as a whole or in part (but if redeemed in part, only in installments of \$5,000 or any integral multiple thereof with those of maturities to be redeemed to be selected by the City, and if less than all the Series 2017-B Warrants of a single maturity are to be redeemed, those (or portions thereof of that maturity to be redeemed selected by the Trustee by lot) at and for Redemption Price with respect to each such Series 2017-B Warrants (or portion thereof) redeemed equal to the principal amount redeemed, plus accrued interest to the Redemption Date.

The 2017-B Warrants were issued to advance refund \$23,335,000 of the outstanding Series 2011 Warrants and \$4,140,000 of the outstanding Series 2007 Warrants As a result, the 2011 and 2007 series bonds are considered defeased and the Utilities has removed the liabilities from its accounts. The City deposited the proceeds along with other resources into two separate escrow funds to provide for maturing installments of principal and interest on the old warrants. These funds were subsequently invested by the trustee in U S Treasury Notes with varying maturities. The escrow funds are to provide for all installments due through and including December 1, 2017 (2007 Warrants) and December 1, 2021 (2011 Warrants).



Note 5 – Long-Term Debt (Continued)

Electric System (Continued)

As required by GASB Statement No. 23, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is carried as deferred amount on debt refunding. The 2011 Warrants were refunded in 2017 at a loss of \$710,928. The loss on the bond refinancing is amortized over the life of the 2017 Warrants, which is 15 years. Amortization expense for the year was \$48,305 and accumulated amortization was \$284,230 at September 30, 2023.

The City refunded the 2011 and 2007 Warrants to reduce the annual debt service requirements. The refunding decreased the total debt service payments over the next fifteen years by approximately \$7,350,000 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) for the City of approximately \$6,604,690.

Year Ending September 30,	Series 2017-A Warrants			Series 2017-B Warrants			Total	
	Principal	Interest	Rate	Principal	Interest	Rate	Principal	Interest
2024	\$ 2,170,000	\$ 2,539,500	5.00%	\$ 1,240,000	\$ 636,850	5.00%	\$ 3,410,000	\$ 3,176,350
2025	2,280,000	2,428,250	5.00%	1,300,000	573,350	5.00%	3,580,000	3,001,600
2026	2,400,000	2,311,250	5.00%	1,365,000	513,550	5.00%	3,765,000	2,824,800
2027	2,520,000	2,188,250	5.00%	1,425,000	450,625	5.00%	3,945,000	2,638,875
2028	2,650,000	2,059,000	5.00%	1,500,000	377,500	5.00%	4,150,000	2,436,500
2029	2,785,000	1,923,125	5.00%	1,575,000	300,625	5.00%	4,360,000	2,223,750
2030	2,930,000	1,780,250	5.00%	1,655,000	219,875	5.00%	4,585,000	2,000,125
2031	3,080,000	1,630,000	5.00%	1,740,000	13,000	5.00%	4,820,000	1,643,000
2032	3,240,000	1,472,000	5.00%	1,830,000	45,750	5.00%	5,070,000	1,517,750
2033	3,405,000	1,305,875	5.00%	-	-	-	3,405,000	1,305,875
2034	3,580,000	1,131,250	5.00%	-	-	-	3,580,000	1,131,250
2035	3,760,000	947,750	5.00%	-	-	-	3,760,000	947,750
2036	3,955,000	754,875	5.00%	-	-	-	3,955,000	754,875
2037	4,155,000	552,125	5.00%	-	-	-	4,155,000	552,125
2038	4,370,000	339,000	5.00%	-	-	-	4,370,000	339,000
2039	4,595,000	114,875	5.00%	-	-	-	4,595,000	114,875
Total	51,875,000	23,477,375		13,630,000	3,131,125		65,505,000	26,608,500
Current Portion	(2,170,000)	(2,539,500)		(1,240,000)	(636,850)		(3,410,000)	(3,176,350)
Noncurrent Portion	\$49,705,000	\$20,937,875		\$12,390,000	\$2,494,275		\$62,095,000	\$23,432,150



City of Huntsville Electric, Natural Gas, and Water Systems

Notes to Financial Statements

Year ending September 30, 2023

Note 5 – Long-Term Debt (Continued)

Gas System

City of Huntsville, Alabama Gas Revenue and Term Warrant, Series 2019-A – Gas System Revenue Warrants, Series 2019-A, were issued in the original amount of \$4,500,000 to expand HU’s current gas program. Principal and interest payments in the amount of \$41,948 are made monthly on the first of the month as disclosed below.

City of Huntsville, Alabama Gas Revenue and Term Warrant, Series 2019-B – Gas System Revenue Warrants, Series 2019-B, were issued in the original amount of \$5,000,000 to expand HU’s current gas program. Principal and interest payments in the amount of \$88,375 are made monthly on the first of the month as disclosed below.

Year Ending September 30,	Series 2019-A Warrants			Series 2019-B Warrants			Total	
	Principal	Interest	Rate	Principal	Interest	Rate	Principal	Interest
2024	\$ 408,229	\$ 57,631	2.23%	\$ 961,224	\$ 10,896	2.26%	\$ 1,369,453	\$ 68,527
2025	454,953	47,588	2.23%	-	-	-	454,953	47,588
2026	465,203	37,319	2.23%	-	-	-	465,203	37,319
2027	475,683	26,819	2.23%	-	-	-	475,683	26,819
2028	486,400	16,083	2.23%	-	-	-	486,400	16,083
2029	497,358	5,104	2.23%	-	-	-	497,358	5,104
Total	2,787,826	190,544		961,224	10,896		3,749,050	201,440
Current Portion	(408,229)	(57,631)		(961,224)	(10,896)		(1,369,453)	(68,527)
Noncurrent Portion	\$ 2,379,597	\$ 132,913		\$ -	\$ -		\$ 2,379,597	\$ 132,913

Water System

City of Huntsville, Alabama Water Revenue Warrants, Series 2013 - Water System Revenue Warrants, Series 2013 in the amount of \$180,000 were directly placed with the Alabama Department of Environmental Management (ADEM). During 2023, the Water System made an early payoff of the outstanding principal amount and interest payable related to the Water System Warrants, Series 2013. There was no deferred gain or loss associated with the early payoff of these warrants.

City of Huntsville, Alabama Water Revenue and Term Warrants, Series 2015 - Water System Revenue Warrants, Series 2015, were issued in the original amount of \$92,810,000. The 2015 issue contained issuance cost of \$406,698 that are classified as regulatory asset and amortized over 20 years. The 2015 issue also contained a premium of \$12,610,058 that is being amortized over 20 years.

The Series 2015 Warrants were partially refunded with the issuance of the 2021-A Warrants. The outstanding amount after the refunding was \$15,255,000. At September 30, 2023, there was \$19,089 in debt issuance costs and \$392,263 of premium outstanding to be amortized over the remaining life of the warrant. See additional disclosure below.



Note 5 – Long-Term Debt (Continued)

Water System (Continued)

The warrants mature serially on November 1 and May 1 each year and bear interest according to stated maturity dates as follows:

Year Ending September 30,	Series 2015 Warrants	
	Principal	Interest
2024	\$ 3,890,000	\$ 301,750
2025	4,090,000	102,250
Total	7,980,000	404,000
Current Portion	(3,890,000)	(301,750)
Noncurrent Portion	\$ 4,090,000	\$ 102,250

The Water System issued the Series 2015 Warrants for the purpose of (i) providing funds to pay the costs of various public capital improvements to the System more particularly including the construction of a new water treatment plant, and (ii) paying the costs of issuing the Series 2015 Warrants.

City of Huntsville, Alabama Water Revenue and Term Warrants, Series 2016 - Water System Revenue Warrants, Series 2016, were issued in the original amount of \$10,425,000 to partially refund the Series 2008 Warrant. The warrants mature serially on November 1 each year and bear interest according to stated maturity dates as follows:

Year Ending September 30,	Series 2016 Warrants	
	Principal	Interest
2024	\$ 505,000	\$ 294,200
2025	525,000	268,450
2026	550,000	241,575
2027	580,000	213,325
2028	610,000	186,625
2029	640,000	158,425
2030	670,000	125,675
2031	705,000	91,300
2032	730,000	62,269
2033	755,000	38,594
2034	780,000	13,163
Total	7,050,000	1,693,601
Current Portion	(505,000)	(294,200)
Noncurrent Portion	\$ 6,545,000	\$ 1,399,401



City of Huntsville Electric, Natural Gas, and Water Systems

Notes to Financial Statements

Year ending September 30, 2023

Note 5 – Long-Term Debt (Continued)

Water System (Continued)

The 2016 issue contained issuance cost of \$171,652 that are classified as regulatory asset and amortized over 20 years. At September 30, 2023, the unamortized regulatory asset is \$94,409. The 2016 issue also contained a premium of \$1,090,205 that is being amortized over 20 years. At September 30, 2023, the unamortized premium is \$448,665.

Optional Redemption: Those of the Series 2016 Warrants having stated maturities on November 1, 2027, and thereafter, shall be subject to redemption and payment prior to maturity, at the option of the Issuer, as a whole or in part, on November 1, 2026, and on any date thereafter (and if in part, of such maturities as shall be selected by the Issuer, and if less than all the Series 2016 Warrants of a single maturity are to be redeemed, those to be redeemed to be selected by the Trustee by lot), at and for a redemption price equal to the principal amount so redeemed plus accrued interest thereon to the rate fixed for redemption.

The 2008 Warrants were refunded in 2016 at a loss of \$703,877. The loss on the bond refinancing is amortized over the remaining life of the 2016 Warrants, which is 15 years. Amortization expense for the year was \$48,266 and accumulated amortization was \$309,706 at September 30, 2023.

City of Huntsville, Alabama Water Revenue and Term Warrants, Series 2019 – Water System Revenue Warrants, Series 2019, were issued in the original amount of \$11,000,000 to expand HU’s current water program. The warrants mature serially on November 1 each year and bear interest according to stated maturity dates. The Series 2019 Warrants were fully refunded with the issuance of the 2021-A Warrants. See additional disclosure below.

City of Huntsville, Alabama Water Revenue and Term Warrants, Series 2021-A – On August 3, 2021, Huntsville Utilities issued \$7,010,000 of Series 2021-A General Obligation Warrants. HU used these warrants to (i) refund, on a current basis, the Series 2019 Warrant, and (ii) pay the costs of issuing the Series 2021-A Warrants. As a result, the 2019 series bonds are considered defeased and the Utilities has removed the liability from its accounts.

Warrants mature serially on November 1 and May 1 each year and bear interest according to stated maturity dates as follows:

Year Ending September 30,	Series 2021-A Warrants	
	Principal	Interest
2024	\$ 880,000	\$ 277,250
2025	920,000	232,250
2026	970,000	185,000
2027	1,020,000	135,250
2028	1,070,000	83,000
2029	1,125,000	28,125
Total	5,985,000	940,875
Current Portion	(880,000)	(277,250)
Noncurrent Portion	\$ 5,105,000	\$ 663,625



City of Huntsville Electric, Natural Gas, and Water Systems

Notes to Financial Statements

Year ending September 30, 2023

Note 5 – Long-Term Debt (Continued)

Water System (Continued)

The 2021-A issue contained issuance cost of \$40,554 that are classified as regulatory asset and amortized over 87 months. At September 30, 2023, the unamortized regulatory asset is \$28,434. The 2021-A issue also contained a premium of \$1,330,407 that is being amortized over 87 months. At September 30, 2023, the unamortized portion is \$830,885.

City of Huntsville, Alabama Water Revenue and Term Warrants, Series 2021-B – On August 30, 2021, Huntsville Utilities issued \$71,010,000 of Series 2021-B General Obligation Warrants. HU used these warrants to (i) refund, on an advance basis, a portion of the 2015 Warrants, and (ii) pay the costs of issuing the Series 2021 Warrants.

Warrants mature serially on November 1 and May 1 each year and bear interest according to stated maturity dates as follows:

Year Ending September 30,	Series 2021-B Warrants	
	Principal	Interest
2024	\$ 1,430,000	\$ 1,060,336
2025	1,435,000	1,054,732
2026	5,655,000	1,029,319
2027	5,705,000	979,480
2028	5,770,000	917,366
2029	5,840,000	844,081
2030	5,925,000	759,418
2031	6,025,000	664,391
2032	6,125,000	563,229
2033	6,230,000	454,157
2034	6,350,000	335,246
2035	6,475,000	207,606
2036	6,615,000	70,781
Total	69,580,000	8,940,142
Current Portion	(1,430,000)	(1,060,336)
Noncurrent Portion	\$68,150,000	\$ 7,879,806

The 2021-B issue contained issuance cost of \$406,980 that are classified as a regulatory asset and amortized over 171 months. At September 30, 2023, the unamortized regulatory asset is \$345,100. The 2021-B issue did not contain a premium.



Note 5 – Long-Term Debt (Continued)

Water System (Continued)

The 2021-B Warrants were issued to advance refund \$60,815,000 of the outstanding Series 2015 Warrants. As a result, the 2015 series bond is considered partially defeased and the Utilities has reduced the liability on its accounts. The Utilities deposited the proceeds, along with other resources, into a separate escrow fund to provide for maturing installments of principal and interest on the old warrants. These funds were subsequently invested by the trustee in U.S. Treasury notes with varying maturities. The escrow funds are to provide for all installments due through and including November 1, 2024 (2015 Warrants).

A portion of the 2015 Warrants were refunded in 2021 at a loss of \$4,611,034. The loss on the bond refinancing is amortized over the remaining life of the 2015 Warrants, which is 14 years. Amortization expense for the year was \$323,581 and accumulated amortization was \$701,092 at September 30, 2023.

The Utilities refunded the 2015 Warrants to reduce the annual debt service requirements. The refunding decreased the total debt service payments over the next 15 years by approximately \$15,108,000 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) for the utilities of approximately \$14,260,000.



City of Huntsville, Alabama Subordinated Water Revenue Warrant, Series 2021A-DWSRF-DL – On February 15, 2021, Huntsville Utilities issued \$10,615,000 of Series 2021A-DWSRF-DL Warrants. HU will use these warrants to make water system improvements. Principal installments are due on February 15 each year and bear interest according to stated maturity dates as follows:

Year Ending September 30,	Series 2021-A-DWSRF-DL	
	Principal	Interest
2024	\$ 445,000	\$ 209,495
2025	455,000	199,595
2026	465,000	189,475
2027	475,000	179,135
2028	490,000	168,520
2029	500,000	157,630
2030	510,000	146,520
2031	520,000	135,190
2032	530,000	123,640
2033	545,000	111,815
2034	555,000	99,715
2035	570,000	87,340
2036	580,000	74,690
2037	595,000	61,765
2038	605,000	48,565
2039	620,000	35,090
2040	635,000	21,285
2041	650,000	7,150
Total	9,745,000	2,056,615
Current Portion	(445,000)	(209,495)
Noncurrent Portion	\$ 9,300,000	\$ 1,847,120



Note 5 – Long-Term Debt (Continued)

Water System (Continued)

City of Huntsville, Alabama Subordinated Water Revenue Warrant, Series 2021B-DWSRF-DL – On October 21, 2021, Huntsville Utilities issued \$15,715,000 of Series 2021B-DWSRF-DL Warrants. HU will use these warrants to make water system improvements. Principal installments are due on February 15 and August 15 each year and bear interest according to stated maturity dates as follows:

Year Ending September 30,	Series 2021-B-DWSRF-DL	
	Principal	Interest
2024	\$ 660,000	\$ 317,460
2025	675,000	302,940
2026	690,000	288,090
2027	705,000	272,910
2028	720,000	257,400
2029	740,000	241,560
2030	755,000	225,280
2031	770,000	208,670
2032	790,000	191,730
2033	805,000	174,350
2034	825,000	156,640
2035	840,000	138,490
2036	860,000	120,010
2037	880,000	101,090
2038	900,000	81,730
2039	915,000	61,930
2040	940,000	41,800
2041	960,000	21,120
Total	14,430,000	3,203,200
Current Portion	(660,000)	(317,460)
Noncurrent Portion	\$13,770,000	\$ 2,885,740



Note 6 – Employee Benefits

The annual leave policy allows each employee to accumulate up to 35 days of annual leave. The Utilities follows the practice of accruing the dollar amount of the leave accrued per each employee on a monthly basis. Actual leave time taken is charged against this account. The sick leave policy provides that at the time of retirement, each employee will be paid 25% of the accumulated sick leave based on the employee’s current salary. The Utilities follow the practice of accruing 25% of accumulated sick leave for the employees at year end who are vested in their sick leave. Accrued annual leave and sick leave at September 30, 2023 are as follows:

	Accrued Annual Leave	Accrued Sick Leave
Electric System	\$ 3,257,541	\$ 1,177,482
Natural Gas System	865,078	403,830
Water System	1,510,433	565,758
Totals	\$ 5,633,052	\$ 2,147,070

Note 7 – Defined Benefit Pension Plan and Description

Plan Description

The Employees’ Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing 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 operations of ERS is vested in its Board of Control. The ERS Board of Control consists of 15 trustees. Effective October 1, 2021, Act 390 of the Legislature of 2021 will create two additional representatives and change the composition of representatives within the ERS Board of Control. The Plan is administered by the Retirements Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama 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:



Note 7 – Defined Benefit Pension Plan and Description (Continued)

Plan Description (Continued)

- 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 vested active employee of a participating municipality of city in ERS pursuant to § 36-27-6.
- d. One vested active employee of a participating county in ERS pursuant to § 36-27-6.
- e. One vested active employee or retiree of a participating employer in ERS pursuant to § 36-27-6.
- f. One vested active employee of a participating employer other than a municipality, city or county in ERS pursuant to § 36-27-6.

Benefits Provided

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

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

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

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



Note 7 – Defined Benefit Pension Plan and Description (Continued)

Benefits Provided (Continued)

Act 316 of the Legislature 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.

The ERS serves approximately 886 local participating employers. The ERS membership includes approximately 108,890 participants. As of September 30, 2022, membership consisted of:

	ERS	Electric	Gas	Water
Retirees and beneficiaries currently receiving benefits	30,598	129	196	64
Vested Inactive Members	2,286	3	12	2
Non-vested Inactive Members	18,689	9	38	6
Active Members	57,278	198	424	134
Post-DROP participants who are still in active service	39	-	-	-
Total	108,890	339	670	206

Contributions

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

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

Tier 2 covered members of the ERS contribute 7.5% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local Participating employers.



Note 7 – Defined Benefit Pension Plan and Description (Continued)

Contributions (Continued)

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 year ended September 30, 2023, Huntsville Utilities active Tier 1 employee contribution rate was 5% and Tier 2 was 7.5% of covered employee payroll. Huntsville Utilities contractually required contribution rate for the year ended September 30, 2023 was as follows:

	Electric Systems		Natural Gas Systems		Water Systems	
	2023		2023		2023	
	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2
Normal Cost	1.49%	-0.02%	1.89%	0.69%	1.60%	-0.28%
Accrue Liability	18.94%	18.94%	9.24%	9.24%	15.35%	15.35%
Preretirement Death Benefit	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
Administrative Expense	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%
	<u>20.80%</u>	<u>19.29%</u>	<u>11.50%</u>	<u>10.30%</u>	<u>17.32%</u>	<u>15.44%</u>

These required contribution rates are based upon the actuarial valuation dated September 30, 2021, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an addition amount to finance any unfunded accrued liability. Total employer contributions to the pension plan for the year September 30, 2023 from the utilities were:

	Employer Contributions
Electric	\$ 3,703,669
Gas	3,720,382
Water	1,690,572



Note 7 – Defined Benefit Pension Plan and Description (Continued)

Net Pension Liability

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

	Expected	Actual Before Plan Changes	Actual After Plan Changes
Electric System			
a) Total Pension Liability as of September 30, 2021	\$ 78,453,733	\$ 78,327,763	\$ 78,380,887
b) Discount Rate	7.45%	7.45%	7.45%
c) Entry Age Normal Cost for the period October 1, 2021 - September 30, 2022	1,163,311	1,163,311	1,164,637
d) Transfers Among Employers	-	(33,918)	(33,918)
e) Actual Benefit Payments and Refunds for the period October 1, 2021 - September 30, 2022	(5,480,655)	(5,480,655)	(5,480,655)
f) Total Pension Liability as of September 30, 2022 =[a * (1+b)] + c + d + [e * (1 + 0.5*(b))	<u>79,777,038</u>	<u>79,607,765</u>	<u>79,666,173</u>
g) Difference between Expected and Actual:		\$ (169,273)	
h) Less Liability Transferred for Immediate Recognition:		\$ (33,918)	
i) Difference between Expected and Actual - Experience (Gain)/Loss		\$ (135,355)	
j) Difference between Actual Total Pension Cost Before and After Plan Changes - Benefit Change (Gain)/Loss			\$ 58,408



Note 7 – Defined Benefit Pension Plan and Description (Continued)

Net Pension Liability (Continued)

	Expected	Actual Before Plan Changes	Actual After Plan Changes
Gas System			
a) Total Pension Liability as of September 30, 2021	\$ 122,296,620	\$ 123,861,151	\$ 123,963,630
b) Discount Rate	7.45%	7.45%	7.45%
c) Entry Age Normal Cost for the period October 1, 2021 - September 30, 2022	2,461,060	2,461,060	2,463,866
d) Transfers Among Employers	-	507,438	507,438
e) Actual Benefit Payments and Refunds for the period October 1, 2021 - September 30, 2022	(6,597,174)	(6,597,174)	(6,597,174)
f) Total Pension Liability as of September 30, 2022 =[a * (1+b)] + c + d + [e * (1 + 0.5*(b))]	127,025,869	129,214,396	129,327,305
g) Difference between Expected and Actual:		\$ 2,188,527	
h) Less Liability Transferred for Immediate Recognition:		\$ 507,438	
i) Difference between Expected and Actual - Experience (Gain)/Loss		\$ 1,681,089	
j) Difference between Actual Total Pension Cost Before and After Plan Changes - Benefit Change (Gain)/Loss			\$ 112,909



Note 7 – Defined Benefit Pension Plan and Description (Continued)

Net Pension Liability (Continued)

	Expected	Actual Before Plan Changes	Actual After Plan Changes
Water System			
a) Total Pension Liability as of September 30, 2021	\$ 41,737,298	\$ 42,160,780	\$ 42,192,086
b) Discount Rate	7.45%	7.45%	7.45%
c) Entry Age Normal Cost for the period			
October 1, 2021 - September 30, 2022	615,257	615,257	615,979
d) Transfers Among Employers	-	146,635	146,635
e) Actual Benefit Payments and Refunds for the period October 1, 2021 - September 30, 2022	(2,715,209)	(2,715,209)	(2,715,209)
f) Total Pension Liability as of September 30, 2022 =[a * (1+b)] + c + d + [e * (1 + 0.5*(b))]	42,645,633	43,247,300	43,281,659
g) Difference between Expected and Actual:		\$ 601,667	
h) Less Liability Transferred for Immediate Recognition:		\$ 146,635	
i) Difference between Expected and Actual - Experience (Gain)/Loss		\$ 455,032	
j) Difference between Actual Total Pension Cost Before and After Plan Changes - Benefit Change (Gain)/Loss			\$ 34,359

Actuarial Assumptions

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

Inflation	2.50%
Salary Increase	3.25% - 6.00%
Investment rate of return*	7.45%
*Net of pension plan investment expenses	

Mortality rates for ERS were based on the Pub-2010 Below-Median Tables projected generationally using the MP-2021 scale, which is adjusted by 66-2/3% beginning with year 2019.



Note 7 – Defined Benefit Pension Plan and Description (Continued)

Actuarial Assumptions (Continued)

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 Board of Control accepted and approved these changes.

The long-term expected rate of return on pension plan investments were 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 weighing the expected future real rates return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	15.0%	2.80%
U.S. Large Stocks	32.0%	8.00%
U.S. Mid Stocks	9.0%	10.00%
U.S. Small Stocks	4.0%	11.00%
International Developed Market Stocks	12.0%	9.50%
International Emerging Market Stocks	3.0%	11.00%
Alternatives	10.0%	9.00%
Real Estate	10.0%	6.50%
Cash equivalents	5.0%	1.50%
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 payment of current plan member. 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.



Note 7 – Defined Benefit Pension Plan and Description (Continued)

Changes in Net Pension Liability

	Total Pension Liability	Increase/Decrease Plan Fiduciary Net Position	Net Pension Liability (Asset)
Electric System			
Balances at September 30, 2021	\$ 78,453,733	\$ 42,757,042	\$ 35,696,691
Changes for the year:			
Service cost	1,163,311	-	1,163,311
Interest	5,640,649	-	5,640,649
Changes of benefit terms	58,408	-	58,408
Changes of assumptions	-	-	-
Difference between expected and actual experience	(135,355)	-	(135,355)
Contributions - employer	-	3,315,384	(3,315,384)
Contributions - employee	-	1,008,811	(1,008,811)
Net investment income	-	(5,392,052)	5,392,052
Benefits payments, including refunds of employee contributions	(5,480,655)	(5,480,655)	-
Administrative expense	-	-	-
Transfer Among Employees	(33,918)	(33,918)	-
Net Changes	1,212,440	(6,582,430)	7,794,870
Balances at September 30, 2022	\$ 79,666,173	\$ 36,174,612	\$ 43,491,561



Note 7 – Defined Benefit Pension Plan and Description (Continued)

Changes in Net Pension Liability (Continued)

	Increase/Decrease		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Gas System			
Balances at September 30, 2021	\$ 122,296,620	\$ 86,552,757	\$ 35,743,863
Changes for the year:			
Service cost	2,461,070	-	2,461,070
Interest	8,865,353	-	8,865,353
Changes of benefit terms	112,909	-	112,909
Changes of assumptions	-	-	-
Difference between expected and actual experience	1,681,089	-	1,681,089
Contributions - employer	-	3,454,695	(3,454,695)
Contributions - employee	-	1,958,297	(1,958,297)
Net investment income	-	(11,025,900)	11,025,900
Benefits payments, including refunds of employee contributions	(6,597,174)	(6,597,174)	-
Administrative expense	-	-	-
Transfer Among Employees	507,438	507,438	-
Net Changes	7,030,685	(11,702,644)	18,733,329
Balances at September 30, 2022	\$ 129,327,305	\$ 74,850,113	\$ 54,477,192



Note 7 – Defined Benefit Pension Plan and Description (Continued)

Changes in Net Pension Liability (Continued)

	Total Pension Liability	Increase/Decrease Plan Fiduciary Net Position	Net Pension Liability (Asset)
Water System			
Balances at September 30, 2021	\$ 41,737,298	\$ 24,790,433	\$ 16,946,865
Changes for the year:			
Service cost	615,257	-	615,257
Interest	3,008,287	-	3,008,287
Changes of benefit terms	34,359	-	34,359
Changes of assumptions	-	-	-
Difference between expected and actual experience	455,032	-	455,032
Contributions - employer	-	1,504,935	(1,504,935)
Contributions - employee	-	559,217	(559,217)
Net investment income	-	(3,138,177)	(3,138,177)
Benefits payments, including refunds of employee contributions	(2,715,209)	(2,715,209)	-
Administrative expense	-	-	-
Transfer Among Employees	146,635	146,635	-
Net Changes	1,544,361	(3,642,599)	5,186,960
Balances at September 30, 2022	\$ 43,281,659	\$ 21,147,834	\$ 22,133,825

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

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

	1% Decrease 6.45%	Discount Rate 7.45%	1% Increase 8.45%
Electric	\$ 53,047,747	\$ 43,491,561	\$ 35,483,308
Gas	71,076,699	54,477,192	40,609,103
Water	27,370,743	22,133,825	17,740,741



Note 7 – Defined Benefit Pension Plan and Description (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial 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 dated June 7, 2023, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financials and actuarial information is available at www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2023, the City recognized the following pension expense.

	<u>Pension Expense</u>
Electric System	\$ 4,892,742
Gas System	\$ 7,190,404
Water System	\$ 2,684,382

At September 30, 2023, the Utilities reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:



Note 7 – Defined Benefit Pension Plan and Description (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	Deferred Outflow of Resources	Deferred Inflow of Resources
Electric System		
Difference between expected and actual experience	\$ 2,431,620	\$ 475,921
Changes of assumptions	1,563,076	-
Net difference between projected and actual earnings on plan investments	4,379,768	-
Employers contributions subsequent to the measurement date	3,703,669	-
Total	\$ 12,078,133	\$ 475,921
Gas System		
Difference between expected and actual experience	\$ 5,232,941	\$ 314,660
Changes of assumptions	3,513,788	-
Net difference between projected and actual earnings on plan investments	8,989,530	-
Employers contributions subsequent to the measurement date	3,720,382	-
Total	\$ 21,456,641	\$ 314,660
Water System		
Difference between expected and actual experience	\$ 1,907,608	\$ -
Changes of assumptions	1,074,640	-
Net difference between projected and actual earnings on plan investments	2,553,729	-
Employers contributions subsequent to the measurement date	1,690,572	-
Total	\$ 7,226,549	\$ -



Note 7 – Defined Benefit Pension Plan and Description (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

Year Ending September 30,	Electric System	Gas System	Water System
2024	\$ 2,095,934	\$ 4,311,201	\$ 1,454,193
2025	1,541,454	3,387,681	1,039,951
2026	1,318,618	2,788,262	906,300
2027	2,368,082	4,829,849	1,418,434
2028	542,456	1,121,042	321,673
Thereafter	31,999	983,564	395,426
Total	\$ 7,898,543	\$ 17,421,599	\$ 5,535,977

Note 8 – Property and Rights Held Under Deferred Compensation Plan

Employees of the Utilities may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). The deferred compensation plan is administered by an unrelated financial institution. Under the terms of an Internal Revenue Code Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the Utilities subject only to the claims of the Utilities general creditors. In addition, the participants in the Plan have rights equal to those of the general creditors of the Utilities, and each participant's rights are equal to his or her share of their fair market value of the Plan assets. The Utilities believe that it is unlikely that Plan assets will be needed to satisfy claims of general creditors that might arise. These assets and related liabilities are not reflected on the books and records of the Utilities.



Note 9 – Post-Employment Benefits Other Than Pension Benefits

General Information about the OPEB Plan

Basis of Accounting – The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the Utilities has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Methods Used to Value Investments – Plan assets have been segregated and restricted in an irrevocable trust fund with a local custodian bank. Plan assets are dedicated to providing retiree benefits and are protected from creditors. Investments are reported at fair value, which is determined by the trustee based on most recent bid and asked prices.

Plan Description and Benefits Provided – The Utilities provides certain health care and life insurance benefits to its retired employees, as a part of a single-employer defined benefit plan. Benefits include healthcare and dental care for eligible retirees and for retiree spouses to age 65 through the Utilities’ group health insurance plan, which covers both active and retired members. The Utilities self-funds its health and dental benefit plan. For retirees over age 65, the Utilities provides a supplemental Medicare policy. Life insurance is provided for retirees meeting eligibility requirements. No separate stand-alone OPEB plan financial statements are publicly available. However, information on funding progress, contributions, and other elements are included in these financial statements.

Employees Covered by Benefit Terms – The Utilities provides certain post-employment health and life insurance benefits to all employees who retire from the Utilities under the provisions of the qualified plan and a minimum of 20 years of service. At September 30, 2023, the following employees were covered by the benefit terms:

Inactive members or beneficiaries currently receiving benefits	437
Active members	724
<hr/>	
<u>Total membership</u>	<u>1161</u>

Contributions – The benefits are not provided under any statutory or contractual authority, but rather by administrative decision. For 2023, the Utilities contributed \$4,252,573.

Net OPEB Liability

The Utilities’ net OPEB liability was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of October 1, 2022.



Note 9 – Post-Employment Benefits Other Than Pension Benefits (Continued)

Net OPEB Liability (Continued)

Actuarial Assumptions – The total OPEB liability in the October 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 %
Real wage growth	0.25 %
Wage inflation	2.75 %
Salary increases, including wage inflation	3.25 % - 6.00 %
Long-term Investment Rate of Return, net of OPEB plan investment expense, including price inflation	5.00 %
Municipal Bond Index Rate	
Prior Measurement Date	2.26 %
Measurement Date	4.02 %
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Prior Measurement Date	5.00 %
Measurement Date	5.00 %
Health Care Cost Trends	
Pre-Medicare Medical and Prescription Drug	7.00 % for 2020 decreasing to an ultimate rate of 4.50 % by 2030
Medicare Medical and Prescription Drug	5.25 % for 2020 decreasing to an ultimate rate of 4.50 % by 2023

Mortality rates were based on the Pub-2010 Public Mortality Plans Mortality Tables:

- Deaths before retirement: Pub-2010 Employee base rates are projected from 2010 using generational improvements with the adjusted Scale MP-2020. Rates are set back 1 year for all males and females.
- Deaths after retirement: Pub-2010 Healthy Annuitant base rates are projected from 2010 using generational improvements with the adjusted Scale MP-2020. Rates are set forward 2 years for non-FLC males and females and set forward 1 year for FLC males. Rates are adjusted by 90% for males prior to age 65, 96% for males on and after age 65, and 96% for females for all ages.
- Deaths after retirement (Beneficiary): Pub-2010 Contingent Survivors base rates are projected from 2010 using generational improvements with the adjusted Scale MP-2020. Rates are set forward 2 years for all males and females.
- Deaths after retirement (Disabled): Pub-2010 Disabled base rates are projected from 2010 using generational improvements with the adjusted Scale MP-2020. Rates are set forward 7 years for all males and set forward 3 years for non-FLC females.

Discount Rate – The discount rate used to measure the TOL as of the Measurement Date was 5.00%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection’s basis was an actuarial valuation performed as of October 1, 2022. In addition to the actuarial methods and



Note 9 – Post-Employment Benefits Other Than Pension Benefits (Continued)

Net OPEB Liability (Continued)

assumptions of the October 1, 2022, actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually using the payroll growth assumptions.
- Active employees do not explicitly contribute to the Plan.
- In all years, the employer is assumed to contribute the lesser of the benefits due to plan members and the average of the last 5 years of contributions to the Plan through deposits to the Trust and direct payment of benefits to plan members as the benefits come due. The employer is assumed to have the ability and willingness to make contributions to the Trust and benefit payments from its own resources for all periods in the projection.
- Projected assets do not include employer contributions that fund the estimated service costs of future employees.
- Cash flows occur mid-year.

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

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



Note 9 – Post-Employment Benefits Other Than Pension Benefits (Continued)

Net OPEB Liability (Continued)

		Increase/Decrease	
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Electric System			
Balances at September 30, 2022	\$ 30,870,294	\$ 12,039,530	\$ 18,830,764
Changes for the year			
Service Cost	761,376	-	761,376
Interest on TOL and Cash Flows	1,698,184	-	1,698,184
Change in benefit terms	-	-	-
Differences between expected and actual	1,729,922	559,998	1,169,924
Change in assumptions	85,822	-	85,822
Contributions - employer	-	2,317,227	(2,317,227)
Net investment income	-	649,434	(649,434)
Benefit payments	(1,336,407)	(1,336,407)	-
Administrative expense	-	(17,223)	17,223
Other	1,175,993	458,736	717,257
Net changes	4,114,890	2,631,765	1,483,125
Balances at September 30, 2023	\$ 34,985,184	\$ 14,671,295	\$ 20,313,889
Gas System			
Balances at September 30, 2022	\$ 13,761,818	\$ 5,367,213	\$ 8,394,605
Changes for the year			
Service Cost	321,373	-	321,373
Interest on TOL and Cash Flows	716,796	-	716,796
Change in benefit terms	-	-	-
Differences between expected and actual	730,193	236,373	493,820
Change in assumptions	36,225	-	36,225
Contributions - employer	-	978,092	(978,092)
Net investment income	-	274,123	(274,123)
Benefit payments	(564,092)	(564,092)	-
Administrative expense	-	(7,270)	7,270
Other	(235,164)	(91,747)	(143,417)
Net changes	1,005,332	825,479	179,853
Balances at September 30, 2023	\$ 14,767,150	\$ 6,192,692	\$ 8,574,458



Note 9 – Post-Employment Benefits Other Than Pension Benefits (Continued)

Net OPEB Liability (Continued)

	Total OPEB Liability	Increase/Decrease Plan Fiduciary Net Position	Net OPEB Liability
Water System			
Balances at September 30, 2022	\$ 14,179,814	\$ 5,530,064	\$ 8,649,750
Changes for the year			
Service Cost	314,527	-	314,527
Interest on TOL and Cash Flows	701,526	-	701,526
Change in benefit terms	-	-	-
Differences between expected and actual	714,637	231,337	483,300
Change in assumptions	35,453	-	35,453
Contributions - employer	-	957,254	(957,254)
Net investment income	-	268,283	(268,283)
Benefit payments	(552,074)	(552,074)	-
Administrative expense	-	(7,115)	7,115
Other	(940,785)	(366,989)	(573,796)
Net changes	273,283	530,697	(257,413)
Balances at September 30, 2023	\$ 14,453,097	\$ 6,060,761	\$ 8,392,337

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of the Utilities, as well as what the Utilities’ net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current discount rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Net OPEB Liability	\$ 48,260,000	\$ 37,280,684	\$ 28,517,551

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the net OPEB liability of the utilities, as well as what the Utilities’ net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current discount rate:

	1% Decrease	Current	1% Increase
Net OPEB Liability	\$ 27,781,616	\$ 37,280,684	\$ 49,553,253



Note 9 – Post-Employment Benefits Other Than Pension Benefits (Continued)

Net OPEB Liability (Continued)

At September 30, 2023 the Huntsville Utilities reported deferred outflows of resources and deferred inflows of resources related to OPEB of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Electric System		
Differences between expected and actual experience	\$ 1,974,101	\$ 1,020,166
Changes of assumptions or other inputs	75,831	2,799,687
Net difference between projected and actual earnings on OPEB plan investments	1,908,836	1,080,126
Total	\$ 3,958,768	\$ 4,899,979
Gas System		
Differences between expected and actual experience	\$ 833,260	\$ 430,607
Changes of assumptions or other inputs	32,008	1,181,736
Net difference between projected and actual earnings on OPEB plan investments	805,617	455,801
Total	\$ 1,670,885	\$ 2,068,144
Water System		
Differences between expected and actual experience	\$ 815,508	\$ 421,434
Changes of assumptions or other inputs	31,326	1,156,560
Net difference between projected and actual earnings on OPEB plan investments	788,535	446,189
Total	\$ 1,635,368	\$ 2,024,183

Schedule of the Recognition of Deferred (Inflows)/Outflows of Resources in OPEB Expense

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB benefits will be recognized in OPEB Expense as follows:



Note 9 – Post-Employment Benefits Other Than Pension Benefits (Continued)

Schedule of the Recognition of Deferred (Inflows)/Outflows of Resources in OPEB Expense (Continued)

Year Ending September 30,	Electric System	Gas System	Water System
2024	\$ (702,708)	\$ (296,610)	\$ (290,291)
2025	(737,603)	(311,339)	(304,706)
2026	(103,900)	(43,856)	(42,922)
2027	(96,484)	(40,725)	(39,858)
2028	177,601	74,965	73,368
Thereafter	521,883	220,306	215,594
Total	\$ (941,211)	\$ (397,259)	\$ (388,815)

Note 10 – City of Huntsville – Payment in Lieu of Taxes

Because the Utilities are component units of the City of Huntsville, they are not subject to income taxes, either at the federal or state level. The Electric System, however, does pay to the City of Huntsville a tax equivalent, which is determined by applying the current property tax rates to net plant in service at the end of the preceding year. The Natural Gas and Water Systems each pay a tax equivalent, which is a predetermined (6%) percentage of sales revenue. The tax equivalent for the year ended September 30, 2023, is as follows:

	2023
Electric System	\$ 17,733,622
Natural Gas System	3,579,440
Water System	3,008,795

Note 11 – Gas Purchase Commitments

The Gas System has entered into three prepay purchase contracts with Tennessee Energy Acquisition Corporation to procure natural gas supply. Under the first contract the Gas System has committed to purchase 1,572,500 MMBtu per year through December 2026. Under the second contract the Gas System has committed to purchase 229,800 MMBtu per year through December 2026, and volumes increase to 1,152,100 MMBtu per year through September 2049. Under the third contract, the Gas System has committed to purchase 1,091,750 MMBtu per year through March 2052.

The Gas System has entered into one prepay purchase contract with Southeast Gas Supply to procure natural gas supply. Under this contract, the Gas System has committed to purchase 219,958 MMBtu per year through April 2049.

The Gas System has entered into two purchase contracts with Southeast Energy Authority to procure natural gas supply. Under the first contract, the Gas System has committed to purchase 1,241,419 MMBtu per year through May 2029, and the under the second contract 768,715 MMBtu per year starting January 2026 through April 2030.

The Gas System has also purchased a financial hedge contract with J Aron Goldman Sachs at a fixed price per year with volumes of 2,030,000 MMBtu for fiscal years 2023, 2024, and 2025.



Note 12 – Electric Purchase Commitments

Under its wholesale power agreement, the Electric System is committed to purchase its electric power and energy requirement from the Tennessee Valley Authority. The rates for such purchases are subject to review periodically.

Note 13 – Risk Management and Insurance Agreement

The Utilities are exposed to various risks such as torts, theft, damage, and destruction of assets; errors and omissions; and natural disasters and injuries to employees.

Potential losses from these risks are mitigated with a combination of commercial and self-insurance. Commercial insurance coverage is combined for the Electric, Water, and Gas Utilities with the expense prorated to each department on a predetermined percentage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. No reductions in insurance coverage have occurred since the prior year.

Coverage is provided as follows:

Blanket real and personal property	
Real property	\$ 350,000,000
Earthquake	10,000,000
Flood	10,000,000
Blanket crime	1,000,000
Kidnap and Ransom/Active Shooter	1,000,000
Cyber	3,000,000
Automobile liability	1,000,000
Public officials and employment liability	
Electric	5,000,000
Gas and Water	5,000,000
Travel Accident Policy	
Accidental Death and Dismemberment, Coma, Paralysis	1,000,000
Bomb Scare, Bomb Search, or Bomb Explosion	1,000,000
Workers' compensation	
Bodily injury (accident and disease)	Statutory
Excess coverage per occurrence (SIR)	1,000,000
Comprehensive general liability	Self-insured



Note 13 – Risk Management and Insurance Agreement (Continued)

Employee and retiree group health coverage is provided under externally administered self-insurance plans. Liabilities for self-insured losses, including estimates of losses incurred but not reported, are estimated through the application of historical experience and current trends. The year-end accrual is based on paid claims by the incurred date. The following table sets out the changes in the claims related to employee group health coverage for 2023:

	Electric System	Gas System	Water System
Beginning balance	\$ 560,000	\$ 160,000	\$ 280,000
Changes in estimate	1,000	60,000	39,000
Ending balance	\$ 561,000	\$ 220,000	\$ 319,000

Note 14 –Contingencies and Commitments

Contingencies

During the ordinary course of its operations, the Utilities are parties to various claims, legal actions, and complaints, the ultimate effect of such litigation cannot be ascertained at this time. In the opinion of management, in consultation with counsel, the liabilities which may arise from such actions are not expected to have a materially adverse effect the financial condition of the Utilities or results of activities.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, or expenditures from current or prior years which may be disallowed by the grantor cannot be determined at this time although the Utilities expects such amounts not recorded, if any, to be immaterial.

Construction Commitment

The Utilities has six outstanding construction contracts at September 30, 2023. One construction contract with C B & I Group, Inc. for rehabilitation of the Greenbrier MTM Water Storage Tank, one with John Plott Company for Research Park Blvd Water Main Transmission Project, one with T J Construction for the Martin Road Gas Main Relocation Project that is ALDOT reimbursable, one for Velox LLC for Fiber Construction, one for Substation Enterprises for substation steel packages for Big Cove and Walker Lane Substations and one construction contract with Hogan’s Mechanical for the renovation of the Fiber Operations Building. The total contract for each vendor is as follows:



City of Huntsville Electric, Natural Gas, and Water Systems
Notes to Financial Statements
Year ending September 30, 2023

Note 14 –Contingencies and Commitments (Continued)

Construction Commitment (Continued)

Construction Contracts	PO Value	Amount Paid in FY23	Amount Pending
C B & I GROUP INC	\$ 7,917,700	\$ 2,868,791	\$ 5,048,909
JOHN PLOTT COMPANY	\$ 4,955,492	\$ 2,002,516	\$ 2,952,976
T J CONSTRUCTION I	\$ 2,211,793	\$ 1,743,477	\$ 468,316
VELOX LLC	\$ 2,000,000	\$ 926,849	\$ 1,073,151
SUBSTATION ENTERPR	\$ 1,905,084	\$ -	\$ 1,905,084
HOGAN'S MECHANICAL	\$ 1,580,495	\$ 338,443	\$ 1,242,052

Note 15 – Customer Deposits

During 2023, the Utilities had the following Customer Deposits:

	Deposits	Accrued Interest	Total
Electric System	\$46,001,815	\$ 919,833	\$ 46,921,648
Gas System	4,172,722	83,574	4,256,296
Water Water	5,860,134	115,114	5,975,248
Total	\$56,034,671	\$ 1,118,521	\$ 57,153,192

During 2023, the Utilities had the following Customer Deposit transactions:

	Beg Balance	New Deposits	Returned Deposits	Deposit Allocations	Ending Balance
Electric System	\$43,821,414	\$ 9,953,770	\$ (7,407,527)	\$ (365,842)	\$ 46,001,815
Gas System	4,115,790	691,886	(668,745)	33,791	4,172,722
Water Water	5,420,156	692,563	(943,126)	690,541	5,860,134
Total	\$53,357,360	\$ 11,338,219	\$ (9,019,398)	\$ 358,490	\$ 56,034,671

As of September 30, 2023, the Utilities' deposits were entirely covered by the FDIC or by the SAFE Program.

Custodial credit risk – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificates of deposits are defined as public deposits. The financial institutions in which the Utilities places its deposits are certified as “qualified public depositories,” as required under the SAFE Program.



Note 16 – Subscription-Based Information Technology Arrangements (SBITAs)

GASB No. 96 defines a SBITA as a contract that conveys control of the right to use another party’s IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. HU evaluated all existing contracts that could potentially be classified as SBITAs. HU has recognized right-to-use subscription assets, intangible assets, as well as corresponding subscription liabilities for the following contracts:

<u>Electric System</u>	<u>Balance as of</u>		<u>Balance as of</u>	
	<u>October 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2023</u>
Subscription Assets				
Software				
AQ2	\$ -	\$ 9,711	\$ -	\$ 9,711
Appspace Subscription	-	17,793	-	17,793
DebtBook Platform	-	67,415	-	67,415
FS2 AP Core Subscription	-	126,915	-	126,915
SAP Success Factors	-	179,996	-	179,996
Salary	-	41,574	-	41,574
TeamDynamix	-	40,660	-	40,660
Unico - Multi-Software Agreement	-	-	-	-
Unico - Threat Prevention	-	25,332	-	25,332
Total Software Subscription Assets	-	509,396	-	509,396
Subscription Accumulated Amortization				
Software				
AQ2	-	2,023	-	2,023
Appspace Subscription	-	13,345	-	13,345
DebtBook Platform	-	4,494	-	4,494
FS2 AP Core Subscription	-	32,725	-	32,725
SAP Success Factors	-	55,666	-	55,666
Salary	-	616	-	616
TeamDynamix	-	19,709	-	19,709
Unico - Multi-Software Agreement	-	-	-	-
Unico - Threat Prevention	-	2,603	-	2,603
Total Software Subscription Accumulated Amortization	-	131,181	-	131,181
Total Electric System Subscription Assets, Net	\$ -	\$ 378,215	\$ -	\$ 378,215



Note 16 – Subscription-Based Information Technology Arrangements (SBITAs) (Continued)

<u>Gas System</u>	<u>Balance as of</u>		<u>Balance as of</u>	
	<u>October 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2023</u>
Subscription Assets				
Software				
AQ2	\$ -	\$ 2,775	\$ -	\$ 2,775
Appspace Subscription	-	5,601	-	5,601
DebtBook Platform	-	26,437	-	26,437
FS2 AP Core Subscription	-	36,261	-	36,261
SAP Success Factors	-	56,666	-	56,666
Salary	-	13,088	-	13,088
TeamDynamix	-	12,800	-	12,800
Unico - Multi-Software Agreement	-	-	-	-
Unico - Threat Prevention	-	7,976	-	7,976
Total Software Subscription Assets	-	161,604	-	161,604
Subscription Accumulated Amortization				
Software				
AQ2	-	578	-	578
Appspace Subscription	-	4,201	-	4,201
DebtBook Platform	-	1,762	-	1,762
FS2 AP Core Subscription	-	9,350	-	9,350
SAP Success Factors	-	17,524	-	17,524
Salary	-	194	-	194
TeamDynamix	-	6,205	-	6,205
Unico - Multi-Software Agreement	-	-	-	-
Unico - Threat Prevention	-	820	-	820
Total Software Subscription Accumulated Amortization	-	40,634	-	40,634
Total Gas System Subscription Assets, Net	\$ -	\$ 120,970	\$ -	\$ 120,970



Note 16 – Subscription-Based Information Technology Arrangements (SBITAs) (Continued)

<u>Water System</u>	<u>Balance as of</u>		<u>Balance as of</u>	
	<u>October 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2023</u>
Subscription Assets				
Software				
AQ2	\$ -	\$ 4,856	\$ -	\$ 4,856
Appspace Subscription	-	9,555	-	9,555
DebtBook Platform	-	38,334	-	38,334
FS2 AP Core Subscription	-	63,457	-	63,457
SAP Success Factors	-	96,665	-	96,665
Salary	-	22,327	-	22,327
TeamDynamix	-	21,836	-	21,836
Unico - Multi-Software Agreement	-	-	-	-
Unico - Threat Prevention	-	13,604	-	13,604
Total Software Subscription Assets	-	270,634	-	270,634
Total Subscription Assets	-	270,634	-	270,634
Software				
AQ2	-	1,012	-	1,012
Appspace Subscription	-	7,167	-	7,167
DebtBook Platform	-	2,556	-	2,556
FS2 AP Core Subscription	-	16,362	-	16,362
SAP Success Factors	-	29,894	-	29,894
Salary	-	331	-	331
TeamDynamix	-	10,584	-	10,584
Unico - Multi-Software Agreement	-	-	-	-
Unico - Threat Prevention	-	1,398	-	1,398
Total Software Subscription Accumulated Amortization	-	69,304	-	69,304
Total Water System Subscription Assets, Net	\$ -	\$ 201,330	\$ -	\$ 201,330



Note 16 – Subscription-Based Information Technology Arrangements (SBITAs) (Continued)

<u>Electric System</u>	Balance as of		Balance as of	
	October 1, 2022	Additions	Reductions	September 30, 2023
Subscription Liability				
Software				
AQ2	\$ -	\$ 9,711	\$ 4,797	\$ 4,914
Appspace Subscription	-	17,793	13,286	4,507
DebtBook Platform	-	67,415	7,650	59,765
FS2 AP Core Subscription	-	120,195	41,348	78,847
SAP Success Factors	-	179,996	61,878	118,118
Salary	-	41,574	14,256	27,318
TeamDynamix	-	40,660	18,804	21,856
Unico - Multi-Software Agreement	-	145,392	145,392	-
Unico - Threat Prevention	-	25,332	8,667	16,665
Total Software Subscription Liability	-	648,068	316,078	331,990
Total Electric System Subscription Liability	\$ -	\$ 648,068	\$ 316,078	\$ 331,990
Gas System				
	Balance as of		Balance as of	
	October 1, 2022	Additions	Reductions	September 30, 2023
Subscription Liability				
Software				
AQ2	\$ -	\$ 2,775	\$ 1,370	\$ 1,405
Appspace Subscription	-	5,601	4,183	1,418
DebtBook Platform	-	26,437	3,000	23,437
FS2 AP Core Subscription	-	34,341	11,814	22,527
SAP Success Factors	-	56,666	19,480	37,186
Salary	-	13,088	4,488	8,600
TeamDynamix	-	12,800	5,920	6,880
Unico - Multi-Software Agreement	-	45,771	45,771	-
Unico - Threat Prevention	-	7,976	2,729	5,247
Total Software Subscription Liability	-	205,455	98,755	106,700
Total Gas System Subscription Liability	\$ -	\$ 205,455	\$ 98,755	\$ 106,700
Water System				
	Balance as of		Balance as of	
	October 1, 2022	Additions	Reductions	September 30, 2023
Subscription Liability				
Software				
AQ2	\$ -	\$ 4,856	\$ 2,398	\$ 2,458
Appspace Subscription	-	9,555	7,135	2,420
DebtBook Platform	-	38,334	4,350	33,984
FS2 AP Core Subscription	-	60,097	20,674	39,423
SAP Success Factors	-	96,665	33,231	63,434
Salary	-	22,327	7,656	14,671
TeamDynamix	-	21,836	10,098	11,738
Unico - Multi-Software Agreement	-	78,081	78,081	-
Unico - Threat Prevention	-	13,604	4,655	8,949
Total Software Subscription Liability	-	345,355	168,278	177,077
Total Water System Subscription Liability	\$ -	\$ 345,355	\$ 168,278	\$ 177,077



Note 16 – Subscription-Based Information Technology Arrangements (SBITAs) (Continued)

**Subscriptions Payable
 Principal and Interest Requirements to Maturity**

Fiscal Year	Electric System		
	Principal Payments	Interest Payments	Total Payments
2024	\$ 158,068	\$ 9,961	\$ 168,029
2025	133,566	5,132	138,698
2026	17,987	966	18,953
2027	22,369	550	22,919
Total	\$ 331,990	\$ 16,609	\$ 348,599

Fiscal Year	Gas System		
	Principal Payments	Interest Payments	Total Payments
2024	\$ 49,916	\$ 3,145	\$ 53,061
2025	42,179	1,621	43,800
2026	5,680	305	5,985
2027	8,925	174	9,099
Total	\$ 106,700	\$ 5,245	\$ 111,945

Fiscal Year	Water System		
	Principal Payments	Interest Payments	Total Payments
2024	\$ 83,923	\$ 5,288	\$ 89,211
2025	70,914	2,725	73,639
2026	9,550	513	10,063
2027	12,690	292	12,982
Total	\$ 177,077	\$ 8,818	\$ 185,895

Required Supplementary Information

City of Huntsville Electric, Natural Gas, and Water Systems
Required Supplementary Information
Schedule of Changes in the Net Pension Liability



As of and for the year ended September 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014
Electric System									
Total Pension Liability									
Service cost	\$ 1,163,311	\$ 905,233	\$ 814,975	\$ 800,172	\$ 803,722	\$ 784,310	\$ 719,480	\$ 711,294	\$ 731,584
Interest	5,640,649	5,439,756	5,255,911	5,253,871	5,095,499	4,956,251	4,837,042	4,638,804	4,509,630
Changes of benefit terms	58,408	-	339,845	-	-	-	-	-	-
Difference between expected and actual experience	(135,355)	1,927,057	1,309,020	(891,120)	1,203,286	724,096	577,633	1,097,266	-
Changes of assumptions	-	2,056,031	-	-	373,579	-	1,593,475	-	-
Benefit payments, including refunds of employee contributions	(5,480,655)	(5,340,121)	(5,297,963)	(5,037,600)	(4,973,859)	(4,400,918)	(4,124,002)	(3,814,789)	(3,438,283)
Transfer among employers	(33,918)	149,534	(13,111)	31,357	13,353	19,486	23,428	-	-
Net change in total pension liability	1,212,440	5,137,490	2,408,677	156,680	2,515,580	2,083,225	3,627,056	2,632,575	1,802,931
Total pension liability - beginning	78,453,733	73,316,243	70,907,566	70,750,886	68,235,306	66,152,081	62,525,025	59,892,450	58,089,519
Total pension liability - ending (a)	\$ 79,666,173	\$ 78,453,733	\$ 73,316,243	\$ 70,907,566	\$ 70,750,886	\$ 68,235,306	\$ 66,152,081	\$ 62,525,025	\$ 59,892,450
Plan Fiduciary Net Position									
Contribution - employer	\$ 3,315,384	\$ 2,619,505	\$ 2,455,480	\$ 2,305,591	\$ 2,182,899	\$ 2,147,571	\$ 1,991,515	\$ 1,891,153	\$ 1,956,167
Contribution - member	1,008,811	835,829	685,275	661,819	614,210	595,914	589,360	548,691	544,943
Net investment income	(5,392,052)	7,927,181	2,035,146	944,320	3,293,140	4,254,699	3,217,256	387,215	3,616,105
Benefit payments, including refunds of employee contributions	(5,480,655)	(5,340,121)	(5,297,963)	(5,037,600)	(4,973,859)	(4,400,918)	(4,124,002)	(3,814,789)	(3,438,283)
Transfer among employers	(33,918)	149,534	(13,111)	31,357	13,353	19,486	23,428	25,241	-
Net change in plan fiduciary net position	\$ (6,582,430)	\$ 6,191,928	\$ (135,173)	\$ (1,094,513)	\$ 1,129,743	\$ 2,616,752	\$ 1,697,557	\$ (962,489)	\$ 2,678,932
Plan fiduciary net position - beginning	42,757,042	36,565,114	36,700,287	37,794,800	36,665,057	34,048,305	32,350,748	33,313,237	30,634,305
Plan fiduciary net position - ending (b)	\$ 36,174,612	\$ 42,757,042	\$ 36,565,114	\$ 36,700,287	\$ 37,794,800	\$ 36,665,057	\$ 34,048,305	\$ 32,350,748	\$ 33,313,237
Net pension liability - ending (a) - (b)	\$ 43,491,561	\$ 35,696,691	\$ 36,751,129	\$ 34,207,279	\$ 32,956,086	\$ 31,570,249	\$ 32,103,776	\$ 30,174,277	\$ 26,579,213
Plan fiduciary net position as a percentage of the total pension liability									
	45.41%	54.50%	49.87%	51.76%	53.42%	53.73%	51.47%	51.74%	55.62%
Covered payroll	\$ 16,815,416	\$ 14,371,755	\$ 12,937,694	\$ 12,197,348	\$ 11,899,900	\$ 11,424,043	\$ 11,425,176	\$ 10,519,400	\$ 10,518,022
Net pension liability as a percentage of covered payroll	258.64%	248.38%	284.06%	280.45%	276.94%	276.35%	280.99%	286.84%	252.70%

Notes to Schedule

GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the Electric System is presenting information for only the years for which information is available.

Covered payroll for 2018-2021 has been restated to properly present personnel assigned to all three utility systems.

City of Huntsville Electric, Natural Gas, and Water Systems
Required Supplementary Information
Schedule of Changes in the Net Pension Liability



As of and for the year ended September 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014
Gas System									
Total Pension Liability									
Service cost	\$ 2,461,070	\$ 2,158,784	\$ 1,986,999	\$ 1,965,511	\$ 1,897,962	\$ 1,882,258	\$ 1,721,132	\$ 1,573,503	\$ 1,505,782
Interest	8,865,353	8,367,405	7,909,898	7,503,935	7,247,347	6,741,176	6,418,834	6,078,446	5,786,806
Changes of benefit terms	112,909	-	801,787	-	-	-	-	-	-
Difference between expected and actual experience	1,681,089	2,129,259	1,240,599	1,388,901	(822,170)	2,366,215	659,005	435,578	-
Changes of assumptions	-	4,009,854	-	-	586,214	-	1,964,837	-	-
Benefit payments, including refunds of employee contributions	(6,597,174)	(6,312,885)	(5,781,718)	(5,340,052)	(4,681,062)	(4,251,400)	(3,866,137)	(3,799,232)	(3,494,950)
Transfer among employers	507,438	120,158	49,673	(25,216)	40,750	7,819	42,460	-	-
Net change in total pension liability	7,030,685	10,472,575	6,207,238	5,493,079	4,269,041	6,746,068	6,940,131	4,288,295	3,797,638
Total pension liability - beginning	122,296,620	111,824,045	105,616,807	100,123,728	95,854,687	89,108,619	82,168,488	77,880,193	74,082,555
Total pension liability - ending (a)	\$ 129,327,305	\$ 122,296,620	\$ 111,824,045	\$ 105,616,807	\$ 100,123,728	\$ 95,854,687	\$ 89,108,619	\$ 82,168,488	\$ 77,880,193
Plan Fiduciary Net Position									
Contribution - employer	\$ 3,454,695	\$ 2,931,174	\$ 2,832,971	\$ 2,678,445	\$ 2,545,068	\$ 2,756,952	\$ 2,756,354	\$ 2,552,653	\$ 2,501,138
Contribution - member	1,958,297	1,725,732	1,619,193	1,468,803	1,492,658	1,369,673	1,357,425	1,215,689	1,134,390
Net investment income	(11,025,900)	15,867,324	3,938,441	1,756,764	5,872,386	7,243,192	5,220,617	599,470	5,401,049
Benefit payments, including refunds of employee contributions	(6,597,174)	(6,312,885)	(5,781,718)	(5,340,052)	(4,681,062)	(4,251,400)	(3,866,137)	(3,799,232)	(3,494,950)
Transfer among employers	507,438	120,158	49,673	(25,216)	40,750	7,819	42,460	7,562	41,272
Net change in plan fiduciary net position	\$ (11,702,644)	\$ 14,331,503	\$ 2,658,560	\$ 538,744	\$ 5,269,800	\$ 7,126,236	\$ 5,510,719	\$ 576,142	\$ 5,582,899
Plan fiduciary net position - beginning	86,552,757	72,221,254	69,562,694	69,023,950	63,754,150	56,627,914	51,117,195	50,541,053	44,958,154
Plan fiduciary net position - ending (b)	\$ 74,850,113	\$ 86,552,757	\$ 72,221,254	\$ 69,562,694	\$ 69,023,950	\$ 63,754,150	\$ 56,627,914	\$ 51,117,195	\$ 50,541,053
Net pension liability - ending (a) - (b)	\$ 54,477,192	\$ 35,743,863	\$ 39,602,791	\$ 36,054,113	\$ 31,099,778	\$ 32,100,537	\$ 32,480,705	\$ 31,051,293	\$ 27,339,140
Plan fiduciary net position as a percentage of the total pension liability									
	57.88%	70.77%	64.58%	65.86%	68.94%	66.51%	63.55%	62.21%	64.90%
Covered payroll	\$ 32,814,658	\$ 28,974,354	\$ 28,802,759	\$ 27,907,875	\$ 27,390,186	\$ 26,518,350	\$ 26,520,532	\$ 24,318,743	\$ 22,247,041
Net pension liability as a percentage of covered payroll	166.01%	123.36%	137.50%	129.19%	113.54%	121.05%	122.47%	127.68%	122.89%

Notes to Schedule

GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the Gas System is presenting information for only the years for which information is available.

Covered payroll for 2018-2021 has been restated to properly present personnel assigned to all three utility systems.

The liability and associated covered payroll for the Gas Pension System includes the administrative personnel assigned to support all three utility systems.

City of Huntsville Electric, Natural Gas, and Water Systems
Required Supplementary Information
Schedule of Changes in the Net Pension Liability



As of and for the year ended September 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014
Water System									
Total Pension Liability									
Service cost	\$ 615,257	\$ 520,085	\$ 467,551	\$ 455,649	\$ 485,793	\$ 477,197	\$ 441,272	\$ 402,811	\$ 386,061
Interest	3,008,287	2,894,050	2,827,623	2,715,269	2,610,062	2,488,908	2,345,199	2,243,404	2,164,859
Changes of benefit terms	34,359	-	204,118	-	-	-	-	-	-
Difference between expected and actual experience	455,032	894,934	22,946	1,128,763	156,748	453,854	976,221	194,984	-
Changes of assumptions	-	1,228,399	-	-	200,946	-	684,563	-	-
Benefit payments, including refunds of employee contributions	(2,715,209)	(2,638,862)	(2,523,951)	(2,258,843)	(2,112,418)	(1,645,720)	(1,564,096)	(1,573,407)	(1,564,812)
Transfer among employers	146,635	(65,798)	(78,150)	(449,141)	317,095	22,388	(42,396)	-	-
Net change in total pension liability	1,544,361	2,832,808	920,137	1,591,697	1,658,226	1,796,627	2,840,763	1,267,792	986,108
Total pension liability - beginning	41,737,298	38,904,490	37,984,353	36,392,656	34,734,430	32,937,803	30,097,040	28,829,248	27,843,140
Total pension liability - ending (a)	\$ 43,281,659	\$ 41,737,298	\$ 38,904,490	\$ 37,984,353	\$ 36,392,656	\$ 34,734,430	\$ 32,937,803	\$ 30,097,040	\$ 28,829,248
Plan Fiduciary Net Position									
Contribution - employer	\$ 1,504,935	\$ 1,201,512	\$ 1,030,459	\$ 953,170	\$ 944,613	\$ 1,063,548	\$ 983,775	\$ 884,789	\$ 822,264
Contribution - member	559,217	469,195	397,466	370,519	365,308	362,182	350,968	334,737	291,847
Net investment income	(3,138,177)	4,598,692	1,179,068	548,595	1,888,916	2,355,477	1,722,031	199,105	1,828,686
Benefit payments, including refunds of employee contributions	(2,715,209)	(2,638,862)	(2,523,951)	(2,258,843)	(2,112,418)	(1,645,720)	(1,564,096)	(1,573,407)	(1,564,812)
Transfer among employers	146,635	(65,798)	(78,150)	(449,141)	317,095	22,388	(42,396)	480,153	(275,616)
Net change in plan fiduciary net position	\$ (3,642,599)	\$ 3,564,739	\$ 4,892	\$ (835,700)	\$ 1,403,514	\$ 2,157,875	\$ 1,450,282	\$ 325,377	\$ 1,102,369
Plan fiduciary net position - beginning	24,790,433	21,225,694	21,220,802	22,056,502	20,652,988	18,495,113	17,044,831	16,719,454	15,617,085
Plan fiduciary net position - ending (b)	\$ 21,147,834	\$ 24,790,433	\$ 21,225,694	\$ 21,220,802	\$ 22,056,502	\$ 20,652,988	\$ 18,495,113	\$ 17,044,831	\$ 16,719,454
Net pension liability - ending (a) - (b)	\$ 22,133,825	\$ 16,946,865	\$ 17,678,796	\$ 16,763,551	\$ 14,336,154	\$ 14,081,442	\$ 14,442,690	\$ 13,052,209	\$ 12,109,794
Plan fiduciary net position as a percentage of the total pension liability	48.86%	59.40%	54.56%	55.87%	60.61%	59.46%	56.15%	56.63%	57.99%
Covered payroll	\$ 9,441,862	\$ 7,715,593	\$ 7,396,912	\$ 7,002,748	\$ 6,788,972	\$ 7,076,595	\$ 7,107,229	\$ 6,438,733	\$ 5,870,735
Net pension liability as a percentage of covered payroll	234.42%	219.64%	239.00%	239.39%	211.17%	198.99%	203.21%	202.71%	206.27%

Notes to Schedule

GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the Water System is presenting information for only the years for which information is available.

Covered payroll for 2018-2021 has been restated to properly present personnel assigned to all three utility systems.

City of Huntsville Electric, Natural Gas, and Water Systems
Required Supplementary Information
Schedule of Employer Pension Contributions



Electric Systems

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<u>Electric System</u>									
Actuarially determined contribution*	\$ 3,773,238	\$ 3,294,035	\$ 2,619,852	\$ 2,457,413	\$ 2,283,787	\$ 2,181,893	\$ 2,070,122	\$ 1,947,313	\$ 1,891,601
Contributions in relation to the actuarially determined contribution*	3,773,238	3,294,035	2,619,852	2,457,413	2,283,787	2,181,893	2,070,122	1,947,313	1,891,601
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$35,201,979.06	\$ 32,416,690	\$ 30,301,880	\$ 28,275,924	\$ 25,633,846	\$ 24,141,043	\$ 11,424,043	\$ 11,425,176	\$ 10,519,400
Contributions as a percentage of covered payroll	10.72%	10.16%	8.65%	8.69%	8.91%	9.04%	18.12%	17.04%	17.98%

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

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	25.3 years
Asset valuation method	Five years 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

Note to Schedule

GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the Electric System is presenting information for only the years for which information is available.

City of Huntsville Electric, Natural Gas, and Water Systems
Required Supplementary Information
Schedule of Employer Pension Contributions



Gas Systems

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<u>Gas System</u>									
Actuarially determined contribution*	\$ 3,849,774	\$ 3,454,840	\$ 2,938,839	\$ 2,832,902	\$ 969,879	\$ 2,546,158	\$ 2,664,475	\$ 2,746,903	\$ 2,746,903
Contributions in relation to the actuarially determined contribution*	3,849,774	3,454,840	2,938,839	2,832,902	969,879	2,546,158	2,664,475	2,746,903	2,746,903
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$13,062,882.82	\$ 12,357,888	\$ 10,959,917	\$ 11,119,528	\$ 8,157,308	\$ 7,739,953	\$ 26,518,350	\$ 26,520,532	\$ 24,318,743
Contributions as a percentage of covered payroll	29.47%	27.96%	26.81%	25.48%	11.89%	32.90%	10.05%	10.36%	11.30%

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

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	23.8 years
Asset valuation method	Five years 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

Note to Schedule

GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the Gas System is presenting information for only the years for which information is available.

City of Huntsville Electric, Natural Gas, and Water Systems
Required Supplementary Information
Schedule of Employer Pension Contributions



Water Systems

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<u>Water System</u>									
Actuarially determined contribution*	\$ 1,729,385	\$ 1,481,483	\$ 1,190,845	\$ 1,029,209	\$ 986,800	\$ 944,369	\$ 1,030,584	\$ 983,774	\$ 822,264
Contributions in relation to the actuarially determined contribution*	1,729,385	1,481,483	1,190,845	1,029,209	986,800	944,369	1,030,584	983,774	986,774
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (164,510)
Covered payroll	\$15,806,358.11	\$ 14,546,516	\$ 13,236,176	\$ 12,906,129	\$ 10,936,068	\$ 10,177,758	\$ 7,076,595	\$ 7,107,229	\$ 6,438,733
Contributions as a percentage of covered payroll	10.94%	10.18%	9.00%	7.97%	9.02%	9.28%	14.56%	13.84%	15.33%

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

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	26.7 years
Asset valuation method	Five years 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

Note to Schedule

GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the Water System is presenting information for only the years for which information is available.

City of Huntsville Electric, Natural Gas, and Water Systems
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability



<i>As of and for the year ended September 30,</i>	2023	2022	2021	2020	2019	2018	2017
Electric System							
Total OPEB Liability							
Service cost	\$ 761,376	\$ 669,060	\$ 525,932	\$ 493,076	\$ 704,430	\$ 821,371	\$ 963,912
Interest	1,698,184	1,466,100	1,412,194	1,317,045	1,315,358	1,212,883	1,086,716
Changes of benefit terms	-	-	549,603	-	-	-	-
Difference between expected and actual experience	1,729,922	(103,803)	528,551	174,259	(2,122,639)	(148,055)	-
Changes of assumptions or other inputs	85,822	-	(741,608)	-	(3,395,650)	(3,023,047)	(3,730,502)
Benefit payments	(1,336,407)	(954,274)	(1,197,475)	(949,071)	(698,442)	(567,972)	(656,133)
Other	1,175,993	(118,935)	989,997	-	-	-	-
Net change in total OPEB liability	4,114,890	958,148	2,067,194	1,035,309	(4,196,943)	(1,704,820)	(2,336,007)
Total OPEB liability - beginning	30,870,294	29,912,146	27,844,952	26,809,643	31,006,586	32,711,406	35,047,413
Total OPEB liability - ending	34,985,184	30,870,294	29,912,146	27,844,952	26,809,643	31,006,586	32,711,406
Plan Fiduciary Net Position							
Difference between expected and actual experience	559,998	-	-	-	-	-	-
Contributions - employer	2,317,227	1,741,624	1,987,975	2,278,959	2,897,734	1,911,402	1,151,726
Contributions - employee	-	-	-	-	-	-	-
Net investment income	649,434	(2,310,427)	2,086,245	309,077	183,871	62,911	(1,767)
Benefit payments	(1,336,407)	(954,274)	(1,197,475)	(949,071)	(698,442)	(567,972)	(656,133)
Administrative expense	(17,223)	(19,220)	(19,220)	(26,811)	(24,106)	(19,814)	-
Other	458,736	(54,854)	370,053	-	-	(13,752)	-
Net change in plan fiduciary net position	2,631,765	(1,597,151)	3,227,578	1,612,154	2,359,057	1,372,775	493,826
Plan fiduciary net position - beginning	12,039,530	13,636,681	10,409,103	8,796,949	6,437,892	5,065,117	4,571,291
Plan fiduciary net position - ending	14,671,295	12,039,530	13,636,681	10,409,103	8,796,949	6,437,892	5,065,117
Total OPEB liability	\$ 20,313,889	\$ 18,830,764	\$ 16,275,465	\$ 17,435,849	\$ 18,012,694	\$ 24,568,694	\$ 27,646,289
Plan fiduciary net position as a percentage of total OPEB liability	41.94%	39.00%	45.59%	37.38%	32.81%	20.76%	15.48%
Covered payroll*	\$ 35,201,979	\$ 32,416,690	\$ 25,398,735	\$ 24,428,733	\$ 23,335,935	\$ 22,623,982	\$ 22,101,816
Total OPEB liability as a percentage of covered payroll	57.71%	58.09%	64.08%	71.37%	77.19%	108.60%	125.09%

*Employer's covered payroll for FY2023 is the total covered payroll for the 12-month period of the underlying financial statements.

Note to Schedule

GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the Electric System is presenting information for only the years for which information is available.

City of Huntsville Electric, Natural Gas, and Water Systems
Required Supplementary Information

Schedule of Changes in the Net OPEB Liability



<i>As of and for the year ended September 30,</i>	2023	2022	2021	2020	2019	2018	2017
Gas System							
Total OPEB Liability							
Service cost	\$ 321,373	\$ 298,266	\$ 232,927	\$ 250,365	\$ 357,682	\$ 417,061	\$ 489,438
Interest	716,796	653,586	625,438	668,742	667,889	615,856	551,793
Changes of benefit terms	-	-	243,411	-	-	-	-
Difference between expected and actual experience	730,193	(46,282)	234,087	88,482	(1,077,795)	(75,177)	-
Changes of assumptions or other inputs	36,225	-	(328,446)	-	(1,724,181)	(1,534,988)	(1,894,206)
Benefit payments	(564,092)	(425,415)	(530,343)	(481,902)	(354,642)	(288,394)	(333,159)
Other	(235,163)	31,754	(1,365,769)	-	-	-	-
Net change in total OPEB liability	1,005,332	511,909	(888,695)	525,687	(2,131,047)	(865,642)	(1,186,134)
Total OPEB liability - beginning	13,761,818	13,249,909	14,138,604	13,612,917	15,743,964	16,609,606	17,795,740
Total OPEB liability - ending	14,767,150	13,761,818	13,249,909	14,138,604	13,612,917	15,743,964	16,609,606
Plan Fiduciary Net Position							
Difference between expected and actual experience	236,373	-	-	-	-	-	-
Contributions - employer	978,092	776,415	880,443	1,157,168	1,471,359	970,537	584,803
Contributions - employee							
Net investment income	274,123	(1,029,987)	923,965	156,934	93,363	31,944	(897)
Benefit payments	(564,092)	(425,415)	(530,343)	(481,902)	(354,642)	(288,394)	(333,159)
Administrative expense	(7,270)	(8,871)	(8,511)	(13,614)	(12,240)	(10,061)	-
Other	(91,747)	14,556	(510,383)	-	-	(6,983)	-
Net change in plan fiduciary net position	825,479	(673,302)	755,171	818,586	1,197,840	697,043	250,747
Plan fiduciary net position - beginning	5,367,213	6,040,515	5,285,344	4,466,758	3,268,918	2,571,875	2,321,128
Plan fiduciary net position - ending	6,192,692	5,367,213	6,040,515	5,285,344	4,466,758	3,268,918	2,571,875
Total OPEB liability	\$ 8,574,458	\$ 8,394,605	\$ 7,209,394	\$ 8,853,260	\$ 9,146,159	\$ 12,475,046	\$ 14,037,731
Plan fiduciary net position as a percentage of total OPEB liability	41.94%	39.00%	45.59%	37.38%	32.81%	20.76%	15.48%
Covered payroll*	\$13,062,883	\$12,179,180	\$11,322,736	\$12,403,979	\$11,849,098	\$11,487,595	\$11,222,460
Total OPEB liability as a percentage of covered payroll	65.64%	68.93%	63.67%	71.37%	77.19%	108.60%	125.09%

*Employer's covered payroll for FY2023 is the total covered payroll for the 12-month period of the underlying financial statements.

Note to Schedule

GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the Gas System is presenting information for only the years for which information is available.

City of Huntsville Electric, Natural Gas, and Water Systems
Required Supplementary Information

Schedule of Changes in the Net OPEB Liability



<i>As of and for the year ended September 30,</i>	2023	2022	2021	2020	2019	2018	2017
Water System							
Total OPEB Liability							
Service cost	\$ 314,527	\$ 307,316	\$ 239,118	\$ 225,464	\$ 322,108	\$ 375,581	\$ 440,759
Interest	701,526	673,417	642,053	602,233	601,462	554,604	496,913
Changes of benefit terms	-	-	249,876	-	-	-	-
Difference between expected and actual experience	714,637	(47,686)	240,305	79,682	(970,599)	(67,700)	-
Changes of assumptions or other inputs	35,453	-	(337,171)	-	(1,552,697)	(1,382,321)	(1,705,812)
Benefit payments	(552,074)	(438,322)	(544,431)	(433,973)	(319,370)	(259,711)	(300,024)
Other	(940,786)	87,160	375,772	-	-	-	-
Net change in total OPEB liability	273,283	581,885	865,522	473,406	(1,919,096)	(779,547)	(1,068,164)
Total OPEB liability - beginning	14,179,814	13,597,929	12,732,407	12,259,001	14,178,097	14,957,644	16,025,808
Total OPEB liability - ending	14,453,097	14,179,814	13,597,929	12,732,407	12,259,001	14,178,097	14,957,644
Plan Fiduciary Net Position							
Difference between expected and actual experience	231,337	-	-	-	-	-	-
Contributions - employer	957,254	799,972	903,831	1,042,078	1,325,020	874,009	526,639
Contributions - employee							
Net investment income	268,283	(1,061,238)	948,509	141,329	84,077	28,767	(808)
Benefit payments	(552,074)	(438,322)	(544,431)	(433,973)	(319,370)	(259,711)	(300,024)
Administrative expense	(7,115)	(9,141)	(8,738)	(12,260)	(11,023)	(9,060)	-
Other	(366,989)	39,618	140,330	-	-	(6,288)	-
Net change in plan fiduciary net position	530,696	(669,111)	1,439,501	737,174	1,078,704	627,717	225,807
Plan fiduciary net position - beginning	5,530,064	6,199,175	4,759,674	4,022,500	2,943,796	2,316,079	2,090,272
Plan fiduciary net position - ending	6,060,760	5,530,064	6,199,175	4,759,674	4,022,500	2,943,796	2,316,079
Total OPEB liability	\$ 8,392,337	\$ 8,649,750	\$ 7,398,754	\$ 7,972,733	\$ 8,236,501	\$ 11,234,301	\$ 12,641,565
Plan fiduciary net position as a percentage of total OPEB liability	41.93%	39.00%	45.59%	37.38%	32.81%	20.76%	15.48%
Covered payroll*	\$ 15,806,358	\$ 14,725,223	\$ 11,666,289	\$ 11,170,302	\$ 10,670,608	\$ 10,345,060	\$ 10,106,294
Total OPEB liability as a percentage of covered payroll	53.09%	58.74%	63.42%	71.37%	77.19%	108.60%	125.09%

*Employer's covered payroll for FY2023 is the total covered payroll for the 12-month period of the underlying financial statements.

Note to Schedule

GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the Water System is presenting information for only the years for which information is available.

City of Huntsville Electric, Natural Gas, and Water Systems
Required Supplementary Information
Schedule of Employer OPEB Contributions



	2023	2022	2021	2020	2019	2018	2017
Electric System							
Actuarially determined contribution	\$ 2,103,038	\$ 1,832,502	\$ 1,778,802	\$ 1,717,709	\$ 1,792,875	\$ 1,792,875	\$ 1,792,875
Contributions in relation to the actuarially determined contribution	2,317,227	1,741,624	1,987,975	2,278,959	2,897,734	1,911,402	1,151,726
Contribution deficiency (excess)	\$ (214,189)	\$ 90,878	\$ (209,173)	\$ (561,250)	\$ (1,104,859)	\$ (118,527)	\$ 641,149
Covered payroll*	\$ 32,416,690	\$ 25,398,735	\$ 25,500,350	\$ 24,428,733	\$ 23,335,935	\$ 22,623,982	\$ 22,101,816
Contributions as a percentage of covered payroll	7.15%	6.86%	7.80%	9.33%	12.42%	8.45%	5.21%
Gas System							
Actuarially determined contribution	\$ 887,683	\$ 787,803	\$ 787,803	\$ 872,187	\$ 910,354	\$ 910,354	\$ 910,354
Contributions in relation to the actuarially determined contribution	978,092	776,415	880,443	1,157,168	1,471,359	970,537	584,803
Contribution deficiency (excess)	\$ (90,409)	\$ 11,388	\$ (92,640)	\$ (284,981)	\$ (561,005)	\$ (60,183)	\$ 325,551
Covered payroll*	\$ 12,179,180	\$ 11,666,289	\$ 11,293,703	\$ 12,406,979	\$ 11,849,098	\$ 11,487,595	\$ 11,222,460
Contributions as a percentage of covered payroll	8.03%	6.66%	7.80%	9.33%	12.42%	8.45%	5.21%

City of Huntsville Electric, Natural Gas, and Water Systems
Required Supplementary Information
Schedule of Employer OPEB Contributions



	2023	2022	2020	2020	2019	2018	2017
Water System							
Actuarially determined contribution	\$ 868,772	\$ 841,715	\$ 808,731	\$ 785,441	\$ 819,811	\$ 819,811	\$ 819,811
Contributions in relation to the actuarially determined contribution	957,254	799,972	903,831	1,042,078	1,325,020	874,009	526,639
Contribution deficiency (excess)	\$ (88,482)	\$ 41,743	\$ (95,100)	\$ (256,637)	\$ (505,209)	\$ (54,198)	\$ 293,172
Covered payroll*	\$ 14,725,223	\$ 11,322,736	\$ 11,593,707	\$ 11,170,302	\$ 10,670,608	\$ 10,345,060	\$ 10,106,294
Contributions as a percentage of covered payroll	6.50%	7.07%	7.80%	9.33%	12.42%	8.45%	5.21%

*Employer's covered payroll for FY2023 is the total covered payroll for the 12-month period of the underlying financial statements.

Note to Schedule

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City of Huntsville Electric, Natural Gas, and Water Systems

Other Information

Unaudited – Statistical Highlights – Electric System



Years Ending September 30

CATEGORIES	2023	2022	2021	2020	2019	2018	2017	2016
OPERATING REVENUE								
Residential	\$ 298,774,778	\$ 310,265,956	\$ 269,671,311	\$ 252,901,003	\$ 262,073,009	\$ 260,774,819	\$ 231,572,251	\$ 233,653,455
Large Commercial and Industrial	225,588,220	225,508,275	195,754,255	192,138,939	203,600,012	200,216,020	200,194,454	197,260,436
Small Commercial	44,966,266	46,792,377	41,782,103	39,767,463	42,286,445	42,397,969	36,066,016	33,726,964
Public Street and Highway Lighting	5,960,921	5,861,314	5,296,917	5,059,544	5,111,686	4,777,392	4,863,964	4,714,640
Other Operating Revenue	27,171,174	27,907,974	26,752,153	20,868,136	20,190,347	17,256,557	13,376,089	11,045,344
Total Operating Revenue	\$ 602,461,359	\$ 616,335,896	\$ 539,256,739	\$ 510,735,085	\$ 533,261,499	\$ 525,422,757	\$ 486,072,774	\$ 480,400,839
CUSTOMERS								
Residential	191,235	184,972	178,050	172,391	168,699	164,945	162,931	160,556
Large Commercial and Industrial	3,126	3,042	2,880	2,876	2,894	2,938	2,872	3,541
Small Commercial	20,324	19,957	19,561	19,245	18,992	18,569	18,485	17,599
Public Street and Highway Lighting	746	733	722	715	663	653	640	642
Total Customers	215,431	208,704	201,213	195,227	191,248	187,105	184,928	182,338
KWH SALES (THOUSANDS)								
Residential	2,499,583	2,698,689	2,588,621	2,528,245	2,560,331	2,567,626	2,298,238	2,421,246
Large Commercial and Industrial	2,170,750	2,201,919	1,985,776	2,128,807	2,247,785	2,283,507	2,252,088	2,336,682
Small Commercial	366,546	388,593	505,460	359,651	378,182	375,896	340,273	326,349
Public Street and Highway Lighting	39,692	39,425	38,212	36,727	37,937	34,300	35,604	35,779
Total KWH Sales (Thousands)	5,076,571	5,328,626	5,118,069	5,053,430	5,224,235	5,261,329	4,926,203	5,120,055
OPERATING REVENUE/CUSTOMER								
Residential	\$ 1,562.34	\$ 1,677.37	\$ 1,514.58	\$ 1,467.02	\$ 1,553.49	\$ 1,580.98	\$ 1,421.29	\$ 1,455.28
Large Commercial and Industrial	\$ 72,165.14	\$ 74,131.58	\$ 67,970.23	\$ 66,807.70	\$ 70,352.46	\$ 68,147.05	\$ 69,705.59	\$ 55,707.55
Small Commercial	\$ 2,212.47	\$ 2,344.66	\$ 2,135.99	\$ 2,066.38	\$ 2,226.54	\$ 2,283.27	\$ 1,951.10	\$ 1,916.41
Public Street and Highway Lighting	\$ 7,990.51	\$ 7,996.34	\$ 7,336.45	\$ 7,076.29	\$ 7,709.93	\$ 7,316.07	\$ 7,599.94	\$ 7,343.68
OPERATING REVENUE/KWH								
Residential	0.120	\$ 0.115	\$ 0.104	\$ 0.100	\$ 0.102	\$ 0.102	\$ 0.101	\$ 0.097
Large Commercial and Industrial	0.104	\$ 0.102	\$ 0.099	\$ 0.090	\$ 0.091	\$ 0.088	\$ 0.089	\$ 0.084
Small Commercial	0.123	\$ 0.120	\$ 0.083	\$ 0.111	\$ 0.112	\$ 0.113	\$ 0.106	\$ 0.103
Public Street and Highway Lighting	0.150	\$ 0.149	\$ 0.139	\$ 0.138	\$ 0.135	\$ 0.139	\$ 0.137	\$ 0.132
KWH/CUSTOMER								
Residential	13,070.74	14,589.72	14,538.73	14,665.76	15,176.92	15,566.56	14,105.59	15,080.38
Large Commercial and Industrial	694,417.79	723,839.25	689,505.56	740,197.15	776,705.25	777,231.79	784,153.27	659,893.18
Small Commercial	18,035.13	19,471.51	25,840.19	18,688.02	19,912.70	20,243.20	18,408.04	18,543.60
OPERATING REVENUE								
Residential	49.6%	50.3%	50.0%	49.5%	49.1%	49.6%	47.6%	48.6%
Large Commercial and Industrial	37.4%	36.6%	36.3%	37.6%	38.2%	38.1%	41.2%	41.1%
Small Commercial	7.5%	7.6%	7.7%	7.8%	7.9%	8.1%	7.4%	7.0%
Public Street and Highway Lighting	1.0%	1.0%	1.0%	1.0%	1.0%	0.9%	1.0%	1.0%
Other Operating Revenue	4.5%	4.5%	5.0%	4.1%	3.8%	3.3%	2.8%	2.3%
CUSTOMERS								
Residential	88.8%	88.6%	88.5%	88.3%	88.2%	88.2%	88.1%	88.1%
Large Commercial and Industrial	1.5%	1.5%	1.4%	1.5%	1.5%	1.6%	1.6%	1.9%
Small Commercial	9.4%	9.6%	9.7%	9.9%	9.9%	9.9%	10.0%	9.7%
Public Street and Highway Lighting	0.3%	0.4%	0.4%	0.4%	0.3%	0.3%	0.3%	0.4%
Percentage of kWh Sold								
Residential	49.2%	50.6%	50.6%	50.0%	49.0%	48.8%	46.7%	47.3%
Large Commercial and Industrial	42.8%	41.3%	38.8%	42.1%	43.0%	43.4%	45.7%	45.6%
Small Commercial	7.2%	7.3%	9.9%	7.1%	7.2%	7.1%	6.9%	6.4%
Public Street and Highway Lighting	0.8%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%

City of Huntsville Electric, Natural Gas, and Water Systems

Other Information

Unaudited – Statistical Highlights – Electric System



2023

Top 10 by Revenue		Top 10 by Consumption	
HUNTSVILLE HOSPITAL	\$ 10,775,153	HUNTSVILLE HOSPITAL	113,187,121 KWH
HUNTSVILLE SCHOOLS	\$ 6,592,564	TMMAL	87,861,500 KWH
TMMAL	\$ 6,419,795	HUNTSVILLE SCHOOLS	58,501,661 KWH
HUNTSVILLE UTILITIES	\$ 5,180,829	HUNTSVILLE UTILITIES	49,389,839 KWH
HUNTSVILLE CITY ENG	\$ 4,108,152	SAINT GOBAIN CERAMIC	44,181,272 KWH
WAL MART STORES EAST	\$ 4,025,829	WAL MART STORES EAST	40,124,502 KWH
MAD CO BD OF ED	\$ 3,979,146	KOHLER CO	38,088,324 KWH
SAINT GOBAIN CERAMIC	\$ 3,508,725	KENNAMETAL INC	37,776,363 KWH
KENNAMETAL INC	\$ 3,274,678	PPG INDUSTRIES INC WKS #22	36,568,124 KWH
ALABAMA A&M UNIV	\$ 3,173,735	ALABAMA A&M UNIV	35,700,866 KWH

2022

Top 10 by Revenue		Top 10 by Consumption	
HUNTSVILLE HOSPITAL	\$ 10,870,028	HUNTSVILLE HOSPITAL	113,487,736 KWH
HUNTSVILLE SCHOOLS	\$ 6,656,723	TMMAL	74,070,150 KWH
TMMAL	\$ 5,612,269	HUNTSVILLE SCHOOLS	59,566,546 KWH
HUNTSVILLE UTILITIES	\$ 5,013,993	SAINT GOBAIN CERAMIC	58,674,594 KWH
SAINT GOBAIN CERAMIC	\$ 4,488,935	HUNTSVILLE UTILITIES	47,274,738 KWH
WAL MART STORES EAST	\$ 4,138,335	KENNAMETAL INC	41,219,822 KWH
MAD CO BD OF ED	\$ 3,890,629	WAL MART STORES EAST	40,955,789 KWH
HUNTSVILLE CITY ENG	\$ 3,636,292	BASF CATALYSTS LLC	40,606,098 KWH
KENNAMETAL INC	\$ 3,579,669	KOHLER CO	39,170,721 KWH
HUNTSVILLE CITY GSD	\$ 3,364,890	ALABAMA A&M UNIV	35,083,606 KWH

2021

Top 10 by Revenue		Top 10 by Consumption	
HUNTSVILLE HOSPITAL	\$ 8,888,331	HUNTSVILLE HOSPITAL	102,369,238 KWH
HUNTSVILLE SCHOOLS	\$ 5,675,757	TMMAL	57,888,849 KWH
HUNTSVILLE UTILITIES	\$ 4,224,655	HUNTSVILLE SCHOOLS	56,429,808 KWH
WAL MART STORES EAST	\$ 3,621,422	SAINT GOBAIN CERAMIC	52,743,734 KWH
TMMAL	\$ 3,584,731	HUNTSVILLE UTILITIES	43,712,262 KWH
SAINT GOBAIN CERAMIC	\$ 3,505,267	WAL MART STORES EAST	40,358,649 KWH
HUNTSVILLE CITY ENG	\$ 3,257,519	KENNAMETAL INC	39,729,541 KWH
MAD CO BD OF ED	\$ 3,215,387	BASF CATALYSTS LLC	39,659,395 KWH
HUNTSVILLE CITY GSD	\$ 3,109,261	BOEING COMPANY	35,158,380 KWH
KENNAMETAL INC	\$ 3,103,350	ALABAMA A&M UNIV	32,938,311 KWH

2020

Top 10 by Revenue		Top 10 by Consumption	
HUNTSVILLE HOSPITAL	\$ 8,835,377	HUNTSVILLE HOSPITAL	99,680,400 KWH
HUNTSVILLE SCHOOLS	\$ 5,496,573	TMMAL	59,711,827 KWH
HUNTSVILLE UTILITIES	\$ 4,186,911	HUNTSVILLE SCHOOLS	56,133,153 KWH
TMMAL	\$ 4,105,864	SAINT GOBAIN CERAMIC	49,691,296 KWH
WAL MART STORES EAST	\$ 3,753,859	HUNTSVILLE UTILITIES	44,451,216 KWH
KENNAMETAL INC	\$ 3,140,054	WAL MART STORES EAST	42,719,857 KWH
HUNTSVILLE CITY ENG	\$ 3,117,899	KENNAMETAL INC	38,940,326 KWH
SAINT GOBAIN CERAMIC	\$ 3,108,105	TECHNICOLOR HOME ENT SVCS	37,529,913 KWH
HUNTSVILLE CITY GSD	\$ 2,954,070	BOEING COMPANY	37,325,002 KWH
MAD CO BD OF ED	\$ 2,938,501	BASF CATALYSTS LLC	35,671,649 KWH

City of Huntsville Electric, Natural Gas, and Water Systems

Other Information

Unaudited – Statistical Highlights – Gas System



Years Ending September 30

CATEGORIES	2023	2022	2021	2020	2019	2018	2017	2016
OPERATING REVENUE								
Residential	\$ 25,549,052	\$ 25,378,685	\$ 23,625,412	\$ 21,376,756	\$ 21,432,988	\$ 20,882,355	\$ 13,815,923	\$ 14,910,446
Commercial	26,525,879	29,449,490	25,978,927	20,747,942	22,076,987	21,617,149	17,279,794	17,823,428
Industrial	6,992,185	1,942,725	1,730,033	1,969,058	2,025,905	2,100,922	2,055,685	2,325,249
Other Operating Revenue	5,074,451	5,206,400	4,188,380	3,497,720	3,479,662	3,548,204	2,315,863	2,562,636
Total Operating Revenue	\$ 64,141,567	\$ 61,977,300	\$ 55,522,752	\$ 47,591,476	\$ 49,015,542	\$ 48,148,630	\$ 35,467,265	\$ 37,621,759
CUSTOMERS								
Residential	56,667	55,276	53,664	52,072	50,988	49,266	48,080	47,040
Commercial	14	5,902	5,750	5,684	5,594	5,557	5,514	5,439
Industrial	5,974	5	4	4	14	16	18	18
Total Customers	62,655	61,183	59,418	57,760	56,596	54,839	53,612	52,497
MCF SALES								
Residential	1,714,900	1,861,504	1,930,061	1,992,066	1,829,033	1,877,024	1,351,105	1,491,621
Commercial	2,475,684	2,946,065	2,855,191	2,261,725	2,429,688	2,397,287	1,925,150	2,024,603
Industrial	1,118,593	269,616	264,703	356,688	288,082	302,966	315,426	335,026
Total MCF Sales	5,309,177	5,077,185	5,049,955	4,610,479	4,546,803	4,577,277	3,591,681	3,851,250
OPERATING REVENUE/CUSTOMER								
Residential	\$ 450.86	\$ 459.13	\$ 440.25	\$ 410.52	\$ 420.35	\$ 423.87	\$ 287.35	\$ 316.97
Commercial	\$1,894,705.64	\$ 4,989.75	\$ 4,518.07	\$ 3,650.24	\$ 3,946.55	\$ 3,890.08	\$ 3,133.80	\$ 3,276.97
Industrial	\$ 1,170.44	\$ 388,545.00	\$ 432,508.25	\$ 492,264.50	\$ 144,707.50	\$ 131,307.62	\$ 114,204.72	\$ 129,180.50
OPERATING REVENUE/MCF								
Residential	14.898	\$ 13.633	\$ 12.241	\$ 10.731	\$ 11.718	\$ 11.125	\$ 10.226	\$ 9.996
Commercial	10.715	\$ 9.996	\$ 9.099	\$ 9.174	\$ 9.086	\$ 9.017	\$ 8.976	\$ 8.803
Industrial	6.251	\$ 7.206	\$ 6.536	\$ 5.520	\$ 7.032	\$ 6.935	\$ 6.517	\$ 6.941
MCF/CUSTOMER								
Residential	30.26	33.68	35.97	38.26	35.87	38.10	28.10	31.71
Commercial	176,834.57	499.16	496.55	397.91	434.34	431.40	349.14	372.24
Industrial	187.24	53,923.20	66,175.75	89,172.00	20,577.29	18,935.38	17,523.67	18,612.56
OPERATING REVENUE %								
Residential	39.8%	40.9%	42.6%	44.9%	43.7%	43.4%	39.0%	39.6%
Commercial	41.4%	47.5%	46.8%	43.6%	45.0%	44.9%	48.7%	47.4%
Industrial	10.9%	3.1%	3.1%	4.1%	4.1%	4.4%	5.8%	6.2%
Other Operating Revenue	7.9%	8.4%	7.5%	7.3%	7.1%	7.4%	6.5%	6.8%
Total Operating Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
CUSTOMERS %								
Residential	90.44%	90.35%	90.32%	90.15%	90.09%	89.84%	89.68%	89.61%
Commercial	0.02%	9.65%	9.68%	9.84%	9.88%	10.13%	10.29%	10.36%
Industrial	9.53%	0.01%	0.01%	0.01%	0.02%	0.03%	0.03%	0.03%
Total Customers	100%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

City of Huntsville Electric, Natural Gas, and Water Systems

Other Information

Unaudited – Statistical Highlights – Gas System



2023

Top 10 by Revenue		Top 10 by Consumption	
MAZDA TOYOTA MANUFACTURING U	\$ 3,089,613	UNITED STATES ARMY	459,969,944 CUF
POLARIS INDUSTRIES INC	\$ 1,601,248	MAZDA TOYOTA MANUFACTURING U	361,079,800 CUF
KOHLER CO	\$ 1,144,451	HUNTSVILLE HOSPITAL	357,028,890 CUF
UNITED STATES ARMY	\$ 1,007,835	BASF CATALYSTS LLC	270,471,000 CUF
HUNTSVILLE HOSPITAL	\$ 982,886	KOHLER CO	238,078,300 CUF
BOCAR US INC	\$ 974,632	NORRIS CYLINDER COMPANY INC	200,277,000 CUF
HUNTSVILLE SCHOOLS	\$ 939,597	POLARIS INDUSTRIES INC	194,949,900 CUF
HUNTSVILLE CITY GSD	\$ 791,247	UNITED STATES ARMY	161,089,000 CUF
ALABAMA A&M UNIV	\$ 680,979	BOCAR US INC	113,898,000 CUF
SJ AND L GENERAL CONTRACTOR LLC	\$ 631,305	HUNTSVILLE SCHOOLS	90,463,691 CUF

2022

Top 10 by Revenue		Top 10 by Consumption	
MAZDA TOYOTA MFG USA INC	\$ 2,885,020	UNITED STATES ARMY	485,708,200 CUF
POLARIS INDUSTRIES INC	\$ 1,371,476	BASF CATALYSTS LLC	345,362,000 CUF
HUNTSVILLE SCHOOLS	\$ 969,604	HUNTSVILLE HOSPITAL	323,871,600 CUF
UNITED STATES ARMY	\$ 885,440	MAZDA TOYOTA MFG USA INC	320,592,900 CUF
HUNTSVILLE HOSPITAL	\$ 859,795	KOHLER CO	249,050,000 CUF
BOCAR US INC	\$ 768,912	POLARIS INDUSTRIES INC	185,019,400 CUF
HUNTSVILLE CITY GSD	\$ 718,572	NORRIS CYLINDER COMPANY INC	171,562,000 CUF
BASF CATALYSTS LLC	\$ 588,708	UNITED STATES ARMY	170,800,000 CUF
ALABAMA A&M UNIV	\$ 559,327	HUNTSVILLE SCHOOLS	100,584,500 CUF
KOHLER CO	\$ 517,560	ROGERS GROUP INC	98,457,800 CUF

2021

Top 10 by Revenue		Top 10 by Consumption	
MAZDA TOYOTA MFG USA INC	\$ 2,023,256	UNITED STATES ARMY	469,460,700 CUF
POLARIS INDUSTRIES INC	\$ 1,168,568	BASF CATALYSTS LLC	344,511,000 CUF
HUNTSVILLE SCHOOLS	\$ 967,424	HUNTSVILLE HOSPITAL	299,816,000 CUF
UNITED STATES ARMY	\$ 728,089	MAZDA TOYOTA MFG USA INC	248,137,400 CUF
HUNTSVILLE CITY GSD	\$ 696,302	KOHLER CO	220,754,800 CUF
HUNTSVILLE HOSPITAL	\$ 682,393	POLARIS INDUSTRIES INC	171,718,300 CUF
BOCAR US INC	\$ 547,601	UNITED STATES ARMY	162,770,000 CUF
BASF CATALYSTS LLC	\$ 497,761	NORRIS CYLINDER COMPANY INC	110,721,300 CUF
REED CONTRACTING SERVICES INC	\$ 473,337	HUNTSVILLE SCHOOLS	103,126,200 CUF
ALABAMA A&M UNIV	\$ 447,353	REED CONTRACTING SERVICES INC	80,704,717 CUF

2020

Top 10 by Revenue		Top 10 by Consumption	
HUNTSVILLE SCHOOLS	\$ 892,453	UNITED STATES ARMY	369,278,100 CUF
POLARIS INDUSTRIES INC	\$ 764,731	BASF CATALYSTS LLC	304,824,000 CUF
HUNTSVILLE CITY GSD	\$ 682,202	HUNTSVILLE HOSPITAL	277,358,200 CUF
HUNTSVILLE HOSPITAL	\$ 646,327	KOHLER CO	194,857,400 CUF
UNITED STATES ARMY	\$ 587,037	NORRIS CYLINDER COMPANY INC	177,984,000 CUF
REMINGTON ARMS COMPANY LLC	\$ 576,675	UNITED STATES ARMY	116,815,000 CUF
BASF CATALYSTS LLC	\$ 441,690	REED CONTRACTING SVCS INC	110,317,600 CUF
INTERNATIONAL PAPER CO	\$ 422,837	POLARIS INDUSTRIES INC	102,861,600 CUF
ALABAMA A&M UNIV	\$ 393,595	HUNTSVILLE SCHOOLS	102,178,300 CUF
KOHLER CO	\$ 307,918	HUNTSVILLE CITY GSD	78,447,100 CUF

City of Huntsville Electric, Natural Gas, and Water Systems

Other Information

Unaudited – Statistical Highlights – Water System



Years Ending September 30

CATEGORIES	2023	2022	2021	2020	2019	2018	2017	2016
OPERATING REVENUE								
Residential	\$ 27,240,931	\$ 26,701,325	\$ 26,033,508	\$ 25,748,041	\$ 25,688,962	\$ 24,805,904	\$ 25,277,101	\$ 23,387,774
Commercial	15,393,279	14,821,791	13,541,504	12,832,180	12,964,076	12,361,612	12,701,204	12,083,615
Industrial	2,111,191	2,104,056	1,886,880	1,894,495	1,961,713	2,001,883	2,144,687	2,138,113
Government	3,374,962	2,869,056	2,837,639	2,616,476	2,646,627	2,586,136	2,449,761	2,395,719
Other	1,060,659	947,626	679,928	657,108	640,346	591,180	496,496	553,158
Fire Hydrants	1,709,514	1,681,939	1,648,476	1,618,465	1,570,843	1,550,673	1,485,508	1,405,531
Other Operating Revenue	6,466,333	5,870,962	2,503,039	1,141,835	1,343,693	1,250,982	1,203,196	1,173,452
Total Operating Revenue	57,356,869	\$ 54,996,755	\$ 49,130,974	\$ 46,508,600	\$ 46,816,260	\$ 45,148,370	\$ 45,757,953	\$ 43,137,362
CUSTOMERS								
Residential	94,762	94,006	92,530	90,935	89,313	86,813	85,380	84,205
Commercial	11,278	11,114	10,917	10,793	10,604	10,289	10,174	10,195
Industrial	55	55	55	55	56	57	61	67
Government	18	19	19	19	20	21	24	25
Other	12	12	11	10	11	9	8	9
Total Customers	106,125	105,206	103,532	101,812	100,004	97,189	95,647	94,501
METERED WATER GALLONS (THOUSAND)								
Residential	5,722,332	5,681,073	5,437,481	5,617,126	5,489,112	5,217,553	5,568,530	5,546,901
Commercial	4,105,222	3,886,917	3,437,003	3,332,893	3,427,835	3,247,143	3,377,103	3,438,209
Industrial	1,089,716	1,089,930	953,134	969,742	994,563	1,014,388	1,061,820	1,115,598
Government	2,026,541	1,693,000	1,675,932	1,523,913	1,547,155	1,501,700	1,412,265	1,405,037
Other	385,418	364,309	308,260	305,131	303,110	262,714	218,653	234,750
Total Sales Gallons (Thousands)	13,329,229	12,715,229	11,811,810	11,748,805	11,761,775	11,243,498	11,638,371	11,740,495
OPERATING REVENUE/CUSTOMER								
Residential	\$ 287.47	\$ 284.04	\$ 281.35	\$ 283.15	\$ 287.63	\$ 285.74	\$ 296.05	\$ 277.75
Commercial	\$ 1,364.89	\$ 1,333.61	\$ 1,240.41	\$ 1,188.94	\$ 1,222.56	\$ 1,201.44	\$ 1,248.40	\$ 1,185.25
Industrial	\$ 38,385.29	\$ 38,255.56	\$ 34,306.91	\$ 34,445.36	\$ 35,030.59	\$ 35,120.76	\$ 35,158.80	\$ 31,912.13
Government	\$ 187,497.89	\$ 151,002.95	\$ 149,349.42	\$ 137,709.26	\$ 132,331.35	\$ 123,149.31	\$ 102,073.38	\$ 95,828.76
Other	\$ 88,388.25	\$ 78,968.83	\$ 61,811.64	\$ 65,710.80	\$ 58,213.27	\$ 65,686.69	\$ 62,062.00	\$ 61,462.00
OPERATING REVENUE/ THOUSAND GALLONS								
Residential	\$ 4.76	\$ 4.70	\$ 4.788	\$ 4.584	\$ 4.680	\$ 4.754	\$ 4.539	\$ 4.216
Commercial	\$ 3.750	\$ 3.813	\$ 3.940	\$ 3.850	\$ 3.782	\$ 3.807	\$ 3.761	\$ 3.515
Industrial	\$ 1.937	\$ 1.930	\$ 1.980	\$ 1.954	\$ 1.972	\$ 1.973	\$ 2.020	\$ 1.917
Government	\$ 1.665	\$ 1.695	\$ 1.693	\$ 1.717	\$ 1.711	\$ 1.722	\$ 1.735	\$ 1.705
Other	\$ 2.752	\$ 2.601	\$ 2.206	\$ 2.154	\$ 2.113	\$ 2.250	\$ 2.271	\$ 2.356
THOUSAND GALLONS/CUSTOMER								
Residential	60.39	60.43	58.76	61.77	61.46	60.10	65.22	65.87
Commercial	364.00	349.73	314.83	308.80	323.26	315.59	331.93	337.24
Industrial	19,813.02	19,816.91	17,329.71	17,631.67	17,760.05	17,796.28	17,406.89	16,650.72
Government	112,585.61	89,105.26	88,206.95	80,205.95	77,357.75	71,509.52	58,844.38	56,201.48
Other	32,118.17	30,359.08	28,023.64	30,513.10	27,555.45	29,190.44	27,331.63	26,083.33
OPERATING REVENUE %								
Residential	47.5%	48.6%	53.0%	55.4%	54.9%	54.9%	55.2%	54.2%
Commercial	26.8%	27.0%	27.6%	27.6%	27.7%	27.4%	27.8%	28.0%
Industrial	3.7%	3.8%	3.8%	4.1%	4.2%	4.4%	4.7%	5.0%
Government	5.9%	5.2%	5.8%	5.6%	5.7%	5.7%	5.4%	5.6%
Other	1.8%	1.7%	1.4%	1.4%	1.4%	1.3%	1.1%	1.3%
Fire Hydrants	3.0%	3.1%	3.4%	3.5%	3.4%	3.4%	3.2%	3.3%
Other Operating Revenue	11.3%	10.7%	5.1%	2.5%	2.9%	2.8%	2.6%	2.7%
Total Operating Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
CUSTOMERS %								
Residential	89.29%	89.35%	89.37%	89.32%	89.31%	89.32%	89.27%	89.10%
Commercial	10.63%	10.56%	10.54%	10.60%	10.60%	10.59%	10.64%	10.79%
Industrial	0.05%	0.05%	0.05%	0.05%	0.06%	0.06%	0.06%	0.07%
Government	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.03%	0.03%
Other	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Total Customers	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

City of Huntsville Electric, Natural Gas, and Water Systems

Other Information

Unaudited – Statistical Highlights – Water System



2023

Top 10 by Revenue		Top 10 by Consumption	
MADISON CO COMM S2WD	\$ 1,868,808	MADISON CO COMM S2WD	1,121,675,900 GAL
UNITED STATES ARMY	\$ 1,515,950	UNITED STATES ARMY	905,191,600 GAL
HUNTSVILLE CITY GSD	\$ 680,891	HUNTSVILLE HOSPITAL	208,744,500 GAL
HUNTSVILLE HOSPITAL	\$ 542,861	HUNTSVILLE CITY GSD	171,929,003 GAL
HUNTSVILLE SCHOOLS	\$ 383,958	ALABAMA A&M UNIV	171,709,200 GAL
ALABAMA A&M UNIV	\$ 379,281	NEW HOPE TOWN OF	165,629,000 GAL
HOUSING AUTHORITY COH	\$ 375,442	TOWN OF TRIANA	153,836,000 GAL
OWENS CROSS ROADS WATER AUTH	\$ 338,635	COVANTA HUNTSVILLE INC	152,653,800 GAL
NEW HOPE TOWN OF	\$ 337,543	HUNTSVILLE CITY WPC	110,753,400 GAL
TOWN OF TRIANA	\$ 312,719	MAZDA TOYOTA MANUFACTURING U	99,943,700 GAL

2022

Top 10 by Revenue		Top 10 by Consumption	
MADISON CO COMM S2WD	\$ 1,555,439	MADISON CO COMM S2WD	910,247,200 GAL
UNITED STATES ARMY	\$ 1,323,994	UNITED STATES ARMY	783,121,000 GAL
HUNTSVILLE CITY GSD	\$ 704,756	ALABAMA A&M UNIV	214,090,800 GAL
HUNTSVILLE HOSPITAL	\$ 521,767	HUNTSVILLE HOSPITAL	197,168,700 GAL
HUNTSVILLE SCHOOLS	\$ 428,667	HUNTSVILLE CITY GSD	176,130,269 GAL
ALABAMA A&M UNIV	\$ 424,041	NEW HOPE TOWN OF	166,912,000 GAL
HOUSING AUTHORITY COH	\$ 374,011	COVANTA HUNTSVILLE INC	146,982,300 GAL
NEW HOPE TOWN OF	\$ 340,057	TOWN OF TRIANA	143,184,000 GAL
TOWN OF TRIANA	\$ 291,841	HUNTSVILLE SCHOOLS	111,302,000 GAL
LW REDSTONE COMPANY LLC	\$ 261,553	OAKWOOD UNIVERSITY	99,871,700 GAL

2021

Top 10 by Revenue		Top 10 by Consumption	
UNITED STATES ARMY	\$ 1,495,954	UNITED STATES ARMY	887,026,700 GAL
MADISON CO COMM S2WD	\$ 1,352,263	MADISON CO COMM S2WD	789,748,300 GAL
HUNTSVILLE CITY GSD	\$ 682,413	HUNTSVILLE HOSPITAL	191,589,800 GAL
HUNTSVILLE HOSPITAL	\$ 488,628	ALABAMA A&M UNIV	173,324,800 GAL
HUNTSVILLE SCHOOLS	\$ 392,224	HUNTSVILLE CITY GSD	168,355,061 GAL
HOUSING AUTHORITY COH	\$ 382,787	NEW HOPE TOWN OF	153,316,000 GAL
ALABAMA A&M UNIV	\$ 358,283	COVANTA HUNTSVILLE INC	131,248,100 GAL
NEW HOPE TOWN OF	\$ 313,409	TOWN OF TRIANA	122,763,000 GAL
TOWN OF TRIANA	\$ 247,240	HOUSING AUTHORITY COH	102,786,800 GAL
COVANTA HUNTSVILLE INC	\$ 227,455	OAKWOOD UNIVERSITY	96,801,600 GAL

2020

Top 10 by Revenue		Top 10 by Consumption	
UNITED STATES ARMY	\$ 1,346,769	UNITED STATES ARMY	791,348,500 GAL
MADISON CO COMM S2WD	\$ 1,294,068	MADISON CO COMM S2WD	740,562,500 GAL
HUNTSVILLE CITY GSD	\$ 733,341	HUNTSVILLE CITY GSD	197,014,549 GAL
HUNTSVILLE HOSPITAL	\$ 456,240	HUNTSVILLE HOSPITAL	181,006,200 GAL
HOUSING AUTHORITY COH	\$ 415,080	NEW HOPE TOWN OF	155,542,000 GAL
HUNTSVILLE SCHOOLS	\$ 365,720	ALABAMA A&M UNIV	138,596,200 GAL
NEW HOPE TOWN OF	\$ 317,651	COVANTA HUNTSVILLE INC	127,066,800 GAL
ALABAMA A&M UNIV	\$ 299,513	TRIANA TOWN OF	114,263,000 GAL
TRIANA TOWN OF	\$ 228,657	HOUSING AUTHORITY COH	110,069,700 GAL
COVANTA HUNTSVILLE INC	\$ 221,090	OAKWOOD UNIVERSITY	82,331,300 GAL



I. Water System

A. Annual Average and Peak Day Production Huntsville Groundwater Sources

Average Day Production (mgd)	7.32
Percentage of Estimated Safe Capacity (80% = 10.8 mgd)	68%
Peak Day Production (mgd) (80% = 10.8 mgd)	8.88
Percentage of Estimated Safe Capacity	82%
Groundwater Plant Capacity	13.4

B. Annual Average and Peak Day Production Huntsville Water Treatment Plants

Average Day Production (mgd)	45.92
Percentage of Estimated Safe Capacity (80% = 96 mgd)	48%
Peak Day Production (mgd) (80% = 96 mgd)	63.72
Percentage of Estimated Safe Capacity	66%
Surface Water Plant Capacity (mgd)* <i>*South Parkway, Southwest, Southeast</i>	120



C. Largest Purchasers

The 10 largest purchasers of potable water from the City, together with their respective billing amounts and consumption, were as follows:

Customer	Total Amount Billed	Total Water Consumption (gal.)
Madison County Commission	\$ 1,868,808	1,121,675,900
United States Army ⁽¹⁾	\$ 1,515,950	905,191,600
Huntsville City GSD	\$ 680,891	171,929,003
Huntsville Hospital	\$ 542,861	208,744,500
Huntsville Schools	\$ 383,958	96,720,400
Alabama A&M University	\$ 379,281	171,709,200
Housing Authority COH	\$ 375,442	96,231,000
Owens Cross Roads Water Auth.	\$ 338,635	50,500,000
Town of New Hope	\$ 337,543	165,629,000
Town of Triana	\$ 312,719	153,836,000

⁽¹⁾ Represents water sales to Redstone Arsenal.

D. Number and Type of Customers

The number and type of customers served by the Water System has been as follows:

Customer Type	Number
Residential	94,762
Commercial	11,278
Industrial	55
Governmental	18
Other	12
Total	106,125

E. Additional Operating Data

Number of Water System Customers	106,125
Sales (Gallons)	13,329 million
Sales (Dollars)	\$49.8 million



F. Debt Service Requirements and Coverage for Water Revenue Warrants.

Debt Service Requirements

Fiscal Year	Series 2015 Warrants	Series 2016 Warrants	Series 2021-A Warrants	Series 2021-B Warrants	Total Debt Service
2024	\$4,191,750	\$799,200	\$1,157,250	\$2,490,336	\$8,638,536
2025	4,192,250	793,450	1,152,250	2,489,732	8,627,682
2026	--	791,575	1,155,000	6,684,319	8,630,894
2027	--	793,325	1,155,250	6,684,480	8,633,055
2028	--	796,625	1,153,000	6,687,366	8,636,991
2029	--	798,425	1,153,125	6,684,081	8,635,631
2030	--	795,675	--	6,684,418	7,480,093
2031	--	796,300	--	6,689,391	7,485,691
2032	--	792,269	--	6,688,229	7,480,498
2033	--	793,594	--	6,684,157	7,477,751
2034	--	793,163	--	6,685,246	7,478,409
2035	--	--	--	6,682,606	6,682,606
2036	--	--	--	6,685,781	6,685,781

Coverage

The maximum annual debt service on the Series 2021 Warrants, the Series 2015 Warrants, and the Series 2016 Warrants, scheduled to occur in the fiscal year ending September 30, 2025, is \$8,627,682, and is covered approximately 2.1 times by Net System Revenues for the fiscal year ended September 30, 2023, of \$17,833,620.

Scheduled average annual debt service on the Series 2021 Warrants, the Series 2015 Warrants, and the Series 2016 Warrants of \$7,890,278 is covered approximately 2.3 times by Net System Revenues for such fiscal year.



II. Electric System

A. Debt Service Requirements for Electric Revenue Warrants

Fiscal Year Ending September 30,	Series2017-A Warrants	Series2017-B Warrants	Grand Total
2024	\$4,709,500	\$1,876,850	\$6,586,350
2025	4,708,250	1,873,350	6,581,600
2026	4,711,250	1,878,550	6,589,800
2027	4,708,250	1,875,625	6,583,875
2028	4,709,000	1,877,500	6,586,500
2029	4,708,125	1,875,625	6,583,750
2030	4,710,250	1,874,875	6,585,125
2031	4,710,000	1,875,000	6,585,000
2032	4,712,000	1,875,750	6,587,750
2033	4,710,875		4,710,875
2034	4,711,250		4,711,250
2035	4,707,750		4,707,750
2036	4,709,875		4,709,875
2037	4,707,125		4,707,125
2038	4,709,000		4,709,000
2039	4,709,875		4,709,875

B. Operating Results from Electric System

The following provides the Electric System's operating results for the fiscal year ended September 30, 2023, and the resulting Annual Net Income for such fiscal year:

Operating Revenues	
Residential	\$ 298,774,778
Large commercial and industrial	\$ 225,588,220
Small commercial	\$ 44,966,266
Public street and highway lighting	\$ 5,960,921
Other operating revenue	\$ <u>27,171,174</u>
Total Operating Revenues	\$ 602,461,359
Operating Expenses	
Purchased power	\$ 453,673,644
Transmission	\$ 141,687
Distribution	\$ 32,204,785
Customer accounting	\$ 5,142,402
Administrative and general	\$ 29,771,952
Depreciation	\$ 22,773,189
Payroll taxes	\$ <u>2,235,365</u>
Total Operating Expenses	\$ 545,943,024

City of Huntsville Electric, Natural Gas, and Water Systems
Other Information

Unaudited Information for Year Ended September 30, 2023



Operating Income	\$ 56,518,335
Non-Operating Revenues (Expenses)	
Gain on sale of assets	\$ 16,060
Interest income	\$ 6,125,338
Interest expense	\$ (4,009,321)
Gain/(loss) on investments	\$ --
Amortization of deferred debt refunding costs	\$ (26,906)
Amortization of warrant premium	\$ <u>1,051,876</u>
Total Non-Operating Revenues (Expenses)	\$ (3,157,047)
Income Before Transfers	\$ 59,675,382
Transfers Out – Tax Equivalents	\$ (17,733,622)
Change in Net Assets	\$ <u>41,941,760</u>
Add: Depreciation	\$ 22,773,189
Add: Tax equivalent payments	\$ 17,733,622
Add: Interest expense	\$ 4,009,321
Add: Amortization of deferred debt refunding costs	\$ 26,906
Less: Gain on sale of assets	\$ (16,060)
Less: Amortization of warrant premium	\$ (1,051,876)
Annual Net Income	\$ 85,448,982



C. Customers and Sales

i. The number of customers by class and the corresponding aggregate amount of revenue and kilowatt hours of electricity sold as of and for the indicated fiscal year ended September 30, 2023, have been as follows:

Customers	Residential kWh Sold	Revenue	Customers	50kWh and Under Sold	Revenue
191,235	2,499,582,619	\$ 298,774,778	20,324	366,545,916	\$ 44,966,266
Customers	Over 50 kWh Sold	Revenue	Customers	Other Outdoor Lighting kWh Sold	Revenue
3,126	2,174,160,036	\$ 225,588,220	746	39,692,285	\$ 5,960,921
	Total Customers	Total kWh Sold		Total Revenue	
	215,431	5,079,980,856		\$ 575,290,186	

ii. The number of customers by class and the corresponding aggregate amount of revenue and kilowatt hours of electricity sold, expressed as a percentage for the indicated fiscal year ended September 30, 2023, have been as follows:

Percentage of Customers	
Residential	88.8%
Commercial	10.9
Other	0.3
Total	100.0
Percentage of kWh Sold	
Residential	49.2%
Commercial	50.0
Other	0.8
Total	100.0
Percentage of Revenue	
Residential	51.9%
Commercial	47.0
Other	1.0
Total	100.0



D. Major Customers

The following chart sets forth the City's top ten customers, with associated sales revenues, distribution margin, percentage of distribution revenue to sales revenue, sales revenue as a percentage of total revenue, total kWh used by each customer, and the percentage of kWh used by each customer to total kWh used from all classes.

Customer Name	Total Customer Revenue	Distribution Sales Revenue	Distribution Revenue as % of Sales Revenue	Customer Revenue as % of Total HU Sales Revenue	Customer kWh	Customer kWh as % of Total HU kWh
Huntsville Hospital	\$ 10,775,153	\$ 10,775,153	1.9%	1.9%	113,187,121	2.2%
Huntsville Schools	\$ 6,592,564	\$ 6,592,564	1.1%	1.1%	58,501,661	1.2%
TMMAL	\$ 6,419,795	\$ 6,419,795	1.1%	1.1%	787,861,500	1.7%
Huntsville Utilities	\$ 5,180,829	\$ 5,180,829	0.9%	0.9%	49,389,839	1.0%
City of Huntsville Engineering	\$ 4,108,152	\$ 4,108,152	0.7%	0.7%	26,406,235	0.5%
Wal Mart	\$ 4,025,829	\$ 4,025,829	0.7%	0.7%	40,124,502	0.8%
Madison Co Board of Education	\$ 3,979,146	\$ 3,979,146	0.7%	0.7%	31,021,329	0.6%
Saint Gobain	\$ 3,508,725	\$ 3,508,725	0.6%	0.6%	44,181,272	0.9%
Kennametal	\$ 3,274,678	\$ 3,274,678	0.6%	0.6%	37,776,363	0.7%
Alabama A&M	\$ 1,173,735	\$ 1,173,735	0.6%	0.6%	35,700,866	0.7%



E. Operating and Maintenance Costs per Customer

The following compares Huntsville Utilities' operating and maintenance costs per customer and per 1,000 kWh sold to that of other local power companies regulated by the Tennessee Valley Authority for the TVA fiscal year ended June 30, 2022.

1. O&M Costs Per Average Customer

	Dollar Amount
Huntsville Utilities	\$ 280
Similar Distributors	\$ 365
All TVA Distributors	\$ 388
All Municipals	\$ 375
All Cooperatives	\$ 407

2. O&M Costs per 1,000 kWh Sold

	Dollar Amount
Huntsville Utilities	\$ 11.11
Similar Distributors	\$ 13.32
All TVA Distributors	\$ 14.93
All Municipals	\$ 13.36
All Cooperatives	\$ 17.66

F. Revenue Per Kilowatt

The following provides average revenue per kilowatt for residential, commercial and industrial customers, for Huntsville Utilities:

	Dollar Amount
Average Revenue per Kilowatt Hour - Residential	\$ 0.12
Average Revenue per Kilowatt Hour – Commercial 1,000 kW or Less	\$ 0.12
Average Revenue per Kilowatt Hour – Industrial greater than 1,000 kW	\$ 0.10



**Independent Auditor’s Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Board of Directors
City of Huntsville Electric, Natural Gas, and Water Systems
Huntsville, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Huntsville Electric, Natural Gas, and Water Systems (the Utilities), component units of the City of Huntsville, Alabama as of and for the year ended September 30, 2023, the related notes to the financial statements, which collectively comprise the Utilities basic financial statements, and have issued our report thereon dated April 18, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Huntsville, AL
April 18, 2024