



HUNTSVILLE UTILITIES

ELECTRICITY • NATURAL GAS • WATER

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

***Component Unit
Financial Statements***

September 30, 2020

Prepared By Financial Services



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Independent Auditor's Report on Financial Statements

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

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Huntsville Electric, Natural Gas, and Water Systems (the Utilities), component units of the City of Huntsville, Alabama which comprise the statements of net position as of September 30, 2020, the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Utilities basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Utilities, as of September 30, 2020, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11, the schedules of changes in the net pension liability and employer pension contributions on pages 62 through 66, and the schedule of changes in the net OPEB liability and employer OPEB contributions on pages 67 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information, presented on pages 72 through 85 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Jackson Thornton & Co. PC

Franklin, Tennessee
December 16, 2020

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

As of and for the year ending September 30, 2020



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.

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: invested in capital assets, net of related debt, 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 System
Table A-1
Condensed Statements of Net Position
(In Thousands)

	2020	2019
Assets		
Current and other assets	\$ 138,552	\$ 138,703
Capital assets (net)	367,392	362,078
Total assets	505,944	500,781
Deferred Outflows of Resources		
Deferred Pension, Debt Refunding, OPEB	6,413	6,646
Total Assets and Deferred Outflows of Resources	\$ 512,357	\$ 507,427
Liabilities		
Current and other liabilities	\$ 60,311	\$ 72,136
Long-term liabilities	174,517	175,367
Total liabilities	234,828	247,503
Deferred Inflows of Resources		
Deferred Pension, Debt Refunding, OPEB	7,084	8,647
Net Position		
Total net position	270,445	251,277
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 512,357	\$ 507,427

2020 Compared to 2019:

As of September 30, 2020, the Electric System's total assets were \$512 million, an increase of 1%, compared to September 30, 2019. As of September 30, 2020, the Electric System's liabilities were \$235 million, a decrease of 5% compared to September 30, 2019. As of September 30, 2020, the Electric System's net position was \$270 million, an increase of \$19 million or 7.5%, compared to September 30, 2019. This increase is due primarily to increase in Invested in capital assets related to Fiber and AMI projects.

City of Huntsville Electric System

Table A-2

Condensed Statement of Revenues, Expenses and Changes in Net Position

(In Thousands)

	2020	2019
Operating revenues	\$ 510,735	\$ 533,261
Non-operating revenues	585	1,971
Total revenues	511,321	535,232
Operating expense	449,025	482,294
Depreciation expense	24,472	23,660
Non-operating expense	3,218	3,450
Total expenses	476,715	509,404
Income before transfers	34,606	25,828
Transfers out – tax equivalents	(15,438)	(13,478)
Change in net position	19,168	12,350
Beginning net position	251,277	238,926
Ending net position	\$ 270,445	\$ 251,277

2020 Compared to 2019:

As of September 30, 2020, the Electric System's total revenues were \$511 million, a decrease of 4%, compared to September 30, 2019. This decrease is primarily due to 3% decrease in consumption from prior year. The Electric System's operating expenses were \$477 million which was 6% decrease from the previous year due to a 7% decrease in purchased power.

Huntsville Utilities experienced a decrease in operating revenues and expenses due to the world-wide pandemic of COVID-19.

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

	2020	2019
Assets		
Current and other assets	\$ 41,005	\$ 42,526
Capital assets (net)	130,769	122,582
Total assets	171,774	165,107
Deferred Outflows of Resources		
Deferred Pension, Debt Refunding, OPEB	8,591	6,989
Total Assets and Deferred Outflows of Resources	\$ 180,365	\$ 172,096
Liabilities		
Current and other liabilities	\$ 6,324	\$ 8,620
Long-term liabilities	56,114	49,617
Total liabilities	62,438	58,237
Deferred Inflows of Resources		
Deferred Pension, Debt Refunding, OPEB	3,620	6,495
Net Position		
Total net position	114,306	107,365
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 180,365	\$ 172,097

2020 Compared to 2019:

As of September 30, 2020, the Gas System's total assets were \$180 million, an increase of 5%, compared to September 30, 2019. This is primarily due to an increase in capital assets of 7%. As of September 30, 2020, the Gas System's total liabilities were \$62 million, an increase of 7%, compared to September 30, 2019. This increase is the result of increased pension cost. As of September 30, 2020, the Gas System's net position is \$114 million, an increase of 7%, compared to September 30, 2019. This is primarily due an increase in capital assets of 7%.

City of Huntsville Gas System

Table A-2

Condensed Statement of Revenues, Expenses and Changes in Net Position

(In Thousands)

	2020	2019
Operating revenues	\$ 47,592	\$ 49,016
Non-operating revenues	481	862
Total revenues	48,073	49,878
Operating expense	34,024	36,038
Depreciation expense	4,765	4,676
Non-operating expense	446	4
Total expenses	39,235	40,718
Income before transfers	8,838	9,160
Capital Contributions	756	853
Transfers out – tax equivalents	(2,653)	(2,732)
Change in net position	6,941	7,281
Beginning net position	107,365	100,084
Ending net position	\$ 114,306	\$ 107,365

2020 Compared to 2019:

As of September 30, 2020, the Gas System's total revenues were \$48 million, a decrease of 4%, compared to September 30, 2019. This is primarily due to a decrease in small commercial revenue.

As of September 30, 2020, the Gas System's expenses were \$39 million which are down 4% compared to September 30, 2019 which is due to the increase in general and administrative cost.

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

	2020	2019
Assets		
Current and other assets	\$ 70,606	\$ 72,893
Capital assets (net)	295,949	287,703
Total assets	366,555	360,596
Deferred Outflows of Resources		
Deferred Pension, Debt Refunding, OPEB	9,615	9,313
Total Assets and Deferred Outflows of Resources	\$ 376,170	\$ 369,909
Liabilities		
Current and other liabilities	\$ 17,317	\$ 17,096
Long-term liabilities	131,971	135,237
Total liabilities	149,288	152,333
Deferred Inflows of Resources		
Deferred Pension, Debt Refunding, OPEB	2,848	4,053
Net Position		
Total net position	224,034	213,526
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 376,170	\$ 369,909

2020 Compared to 2019:

As of September 30, 2020, the Water System's total assets were \$376 million, an increase of 2%, compared to September 30, 2019. The increase is a result of a 3% increase in capital assets. As of September 30, 2020, the Water System's total liabilities were \$149 million, a decrease of 2%, compared to September 30, 2019. This decrease relates to a decrease in long term liabilities. As of September 30, 2020, the Water System's net position is \$224 million, an increase of 5%, compared to September 30, 2019.

City of Huntsville Water System

Table A-2

Condensed Statement of Revenues, Expenses and Changes in Net Position

(In Thousands)

	2020	2019
Operating revenues	\$ 46,507	\$ 46,817
Non-operating revenues	965	1,703
Total revenues	47,472	48,520
Operating expense	25,127	24,546
Depreciation expense	10,570	10,117
Non-operating expense	3,505	3,387
Total expenses	39,202	38,050
Income before transfers	8,270	10,470
Capital Contributions	4,946	4,628
Transfers out – tax equivalents	(2,708)	(2,636)
Change in net position	10,508	12,462
Beginning net position	213,526	201,064
Ending net position	\$ 224,034	\$ 213,526

2020 Compared to 2019:

As of September 30, 2020, the Water System's total revenues were \$47 million, a decrease of 2%, compared to September 30, 2019. This decrease is primarily due to consumption increasing by 1%. As of September 30, 2020, the Water System's expenses were \$39 million. An increase of 3% compared to September 30, 2019 due to an increase in general and administrative cost.

Wes Kelley, Chief Executive Officer

Ted Phillips, Chief Financial Officer



HUNTSVILLE UTILITIES

ELECTRICITY • NATURAL GAS • WATER

Component Unit Financial Statements and Required Supplementary Information

September 30, 2020

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

As of and for the year ending September 30, 2020



In Thousands	Electric	Gas	Water
<u>Assets and Deferred Outflows of Resources</u>			
Current Assets			
Cash and Cash Equivalents	\$ 6,366	\$ 4,356	\$ 13,373
Investments	-	-	13,288
Board Designated Funds			
Cash and Cash Equivalents	2,271	1,263	3,505
Investments	16,207	13,522	16,776
Restricted Funds			
Customer Deposits			
Cash and Cash Equivalents	7,392	630	978
Investments	-	212	-
Accounts Receivable - Trade, Net of Allowance	48,454	2,269	8,149
Inventories - Materials and Supplies	13,410	4,257	2,394
Accrued Interest, Rent and Other Receivables	3,459	234	124
Total Current Assets	97,559	26,743	58,587
Non-Current Assets			
Restricted Assets			
Customer Deposits			
Cash and Cash Equivalents	40,100	-	5,305
Investments	-	4,566	-
Warrant Funds			
Cash and Cash Equivalents	500	4,502	1
Investments	-	5,194	6,281
Cash, Cash Equivalents, and Investments	<u>40,600</u>	<u>14,262</u>	<u>11,587</u>
Other Assets			
Regulatory Asset - Revenue Warrant Expense	393	-	432
Utility Plant			
Plant in service	705,404	206,730	433,668
Construction in progress	16,969	10,126	21,875
Total Utility Plant	<u>722,373</u>	<u>216,856</u>	<u>455,543</u>
Less: Accumulated depreciation	(354,981)	(86,087)	(159,594)
Total Utility Plant, Net	<u>367,392</u>	<u>130,769</u>	<u>295,949</u>
Total Non-Current Assets	408,385	145,031	307,968
Total Assets	505,944	171,774	366,555
Deferred Outflows of Resources			
Deferred Amount on Debt Refunding	635	-	539
Excess consideration provided for acquisition	-	-	5,179
Deferred Amount on OPEB	495	240	224
Deferred Amount on Pension Employer Contributions	5,283	8,351	3,673
Total Deferred Outflows of Resources	<u>6,413</u>	<u>8,591</u>	<u>9,615</u>
Total Assets and Deferred Outflows of Resources	\$ 512,357	\$ 180,365	\$ 376,170

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

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

As of and for the year ending September 30, 2020



In Thousands	Electric	Gas	Water
Liabilities and Deferred Inflows of Resources			
Current Liabilities			
Accounts Payable - Trade	\$ 38,854	\$ 2,106	\$ 2,587
Accounts Payable - Other Utility Departments	2,389	-	4,634
Compensated Absences	3,599	1,223	1,358
Accrued Payroll	1,169	353	524
Other Current Liabilities	2,726	388	533
Total Current Liabilities payable from current assets	48,737	4,070	9,636
Liabilities Payable From Restricted Assets			
Net Pension Liability, Current Portion	-	-	-
Customer Deposits, Current Portion	7,392	842	978
Revenue Warrants, Current Portion	2,940	1,398	4,901
Interest Payable	1,242	15	1,802
Total Liabilities Payable from Restricted Assets	11,574	2,255	7,681
Non-Current Liabilities			
Net Pension Liability, Less Current Portion	34,207	36,054	16,764
Net OPEB Liability, Less Current Portion	17,436	8,853	7,973
Customer Deposits, Less Current Portion	40,100	4,566	5,305
Revenue Warrants, Less Current Portion	71,835	6,641	93,129
Unamortized Bond Premium	10,939	-	8,800
Total Non-Current Liabilities	174,517	56,114	131,971
Total Liabilities	234,828	62,439	149,286
Deferred Inflows of Resources			
Deferred Pension Plan Earnings Difference	758	619	-
Deferred Inflow OPEB	6,326	3,001	2,848
Total Deferred Inflows of Resources	7,084	3,620	2,848
Net Position			
Invested in Capital Assets, Net of Related Debt	292,182	141,521	195,022
Restricted	47,991	15,104	12,565
Unrestricted	(69,728)	(42,319)	16,447
Total Net Position	270,445	114,306	224,034
Total Liabilities, Deferred Inflows and Net Position	\$ 512,357	\$ 180,365	\$ 376,170

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

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, 2020



In Thousands	<u>Electric</u>	<u>Gas</u>	<u>Water</u>
Operating Revenue			
Residential	\$ 252,901	\$ 21,377	\$ 25,748
Large commercial and industrial	192,139	1,969	1,894
Small commercial	39,767	20,748	12,832
Government Sales	-	-	2,616
Public street and highway lighting	5,060	-	-
Other Sales	-	-	657
Other Operating Revenue	20,868	3,498	2,760
Total Operating Revenue	<u>510,735</u>	<u>47,592</u>	<u>46,507</u>
Operating Expenses			
Purchased Commodity	392,788	18,938	139
Purification	-	-	2,185
Pumping	-	-	5,321
Transmission	282	-	-
Distribution	24,673	6,039	5,302
Customer accounting	6,002	1,621	2,105
Administrative and general	25,280	7,426	10,073
Depreciation	24,472	4,765	10,570
Total Operating Expenses	<u>473,497</u>	<u>38,789</u>	<u>35,695</u>
Operating Income	<u>37,238</u>	<u>8,803</u>	<u>10,812</u>
Non-Operating (Revenues) Expenses			
Gain or Loss on Sale of Assets	(16)	(3)	(11)
Interest income	(570)	(478)	(953)
Interest expense	4,382	446	4,500
Amortization of bond discount	27	-	32
Amortization of bond premium	(1,191)	-	(1,026)
Total Non-Operating (Revenue) Expenses	<u>2,632</u>	<u>(35)</u>	<u>2,542</u>
Income Before Taxes	34,606	8,838	8,270
Capital Contributions	-	(756)	(4,946)
Transfers Out - Tax Equivalent	15,438	2,653	2,708
Increase (Decrease) in Net Position	<u>\$ 19,168</u>	<u>\$ 6,941</u>	<u>\$ 10,508</u>
Net Position Beginning	251,277	107,365	213,526
Net Position Ending	<u>\$ 270,445</u>	<u>\$ 114,306</u>	<u>\$ 224,034</u>

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

City of Huntsville Electric, Natural Gas, and Water Systems
Statements of Cash Flows
Year Ending September 30, 2020



<i>For the year ended September 30,</i>	<u>Electric</u>	<u>Gas</u>	<u>Water</u>
In Thousands			
Operating Activities			
Received from Customers	\$ 515,352	\$ 47,373	\$ 46,756
Paid to Suppliers for Goods and Services	(428,944)	(23,242)	(11,817)
Paid to Employees for Salaries and Wages	(30,849)	(9,679)	(12,266)
Net Cash Provided By Operating Activities	<u>55,559</u>	<u>14,452</u>	<u>22,673</u>
Non-Capital Financing Activities			
Transfers Out - Tax Equivalent	(15,438)	(2,653)	(2,708)
Capital and Related Financing Activities			
Payment of Principal on Long-Term Debt	(2,800)	(1,461)	(4,750)
Additions to Plant in Service	(29,787)	(12,954)	(18,816)
Capital Contributions	-	756	4,946
Interest Expense	(4,350)	(431)	(4,462)
Net Cash Used For Capital and Related Financing Activities	<u>(36,937)</u>	<u>(14,090)</u>	<u>(23,082)</u>
Investing Activities			
Proceeds from (purchase of) Investment Securities	17,896	4,656	13,087
Interest Income Earned on Investments	570	479	954
Net Cash Provided By (Used For) Investing Activities	<u>18,466</u>	<u>5,135</u>	<u>14,041</u>
Increase in Cash and Cash Equivalents	21,650	2,844	10,924
Cash and Cash Equivalents - Beginning of Year	<u>34,979</u>	<u>7,907</u>	<u>12,238</u>
Cash and Cash Equivalents - End of Year	<u>\$ 56,629</u>	<u>\$ 10,751</u>	<u>\$ 23,162</u>

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

City of Huntsville Electric, Natural Gas, and Water Systems
Statements of Cash Flows
Year Ending September 30, 2020



Reconciliation of Operating Income to Net Cash Provided By Operating Activities

In Thousands	Electric	Gas	Water
<u>Operating Income</u>	<u>\$ 37,238</u>	<u>\$ 8,803</u>	<u>\$ 10,812</u>
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:			
Depreciation and Amortization	24,472	4,765	10,570
Gain or Loss on Sale of Assets	16	3	11
Change in Accounts Receivable - Customer	4,617	(218)	247
Change in Accrued Interest, Rent and Other Receivables	181	(81)	102
Change in Inventories	(984)	(10)	(277)
Change in Prepaid Expenses	63	19	22
Change in Deferred Outflow of Resources	154	(1,602)	(1,054)
Change in Accounts Payable	(11,589)	(5)	687
Change in Pension Liability	1,251	4,954	2,427
Change in OPEB	(577)	(293)	(264)
Change in Deferred Inflow of Resources	(1,563)	(2,875)	(1,205)
Change in Customer Deposits	1,332	887	414
<u>Change in Accrued Expenses and Other Current Liabilities</u>	<u>948</u>	<u>105</u>	<u>181</u>
<u>Total Adjustments</u>	<u>18,321</u>	<u>5,649</u>	<u>11,861</u>
<u>Net Cash Provided By Operating Activities</u>	<u>\$ 55,559</u>	<u>\$ 14,452</u>	<u>\$ 22,673</u>
Cash and Cash Equivalent - End of Year			
Current assets:			
Cash and Cash Equivalents	\$ 6,366	\$ 4,356	\$ 13,373
Cash and Cash Equivalents - Board Designated	2,271	1,263	3,505
Cash and Cash Equivalents - Restricted - Customer Deposits	7,392	630	978
	<u>\$ 16,029</u>	<u>\$ 6,249</u>	<u>\$ 17,856</u>
Noncurrent assets:			
Cash and Cash Equivalents - Restricted - Customer Deposits	\$ 40,100	\$ -	\$ 5,305
Bond Trustee Funds	500	4,502	1
	<u>\$ 40,600</u>	<u>\$ 4,502</u>	<u>\$ 5,306</u>
Cash and Cash Equivalents	<u>\$ 56,629</u>	<u>\$ 10,751</u>	<u>\$ 23,162</u>

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

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, 2020



City of Huntsville Electric, Gas, and Water
Fiduciary Net Position Activity
FISCAL YEAR 2020

Statements of Fiduciary Net Position	09/30/2020	Electric 2020	Gas 2020	Water 2020
Assets				
Cash and Equivalents	\$ 287,967	\$ 146,546	\$ 74,411	\$ 67,010
Investments				
Pfm Multi - Manager Domestic Equity	8,090,990	4,117,505	2,090,712	1,882,773
Pfm Multi - Manager International	4,299,165	2,187,845	1,110,904	1,000,416
Pfm Multi - Manager Fixed Income Fund	7,775,981	3,957,197	2,009,313	1,809,471
Accrued Income	17	9	4	4
	<u>20,166,153</u>	<u>10,262,556</u>	<u>5,210,933</u>	<u>4,692,664</u>
Total Assets	<u><u>\$20,454,121</u></u>	<u><u>\$10,409,102</u></u>	<u><u>\$5,285,344</u></u>	<u><u>\$4,759,674</u></u>
Net Position				
Net position restricted for OPEB	<u><u>\$20,454,121</u></u>	<u><u>\$10,409,102</u></u>	<u><u>\$5,285,344</u></u>	<u><u>\$4,759,674</u></u>
Additions				
Employer contributions	<u>\$ 2,613,259</u>	<u>\$ 1,329,888</u>	<u>\$ 675,266</u>	<u>\$ 608,105</u>
Investment Income				
Interest and dividends	\$ 211,282	\$ 107,522	\$ 54,595	\$ 49,165
Realized (gain) loss	91,255	46,440	23,580	21,235
Change in Market Value	304,806	155,116	78,762	70,928
Net Investment Income	<u>607,343</u>	<u>309,078</u>	<u>156,937</u>	<u>141,328</u>
Total Additions	3,220,602	1,638,966	832,203	749,433
Deductions				
Administrative expenses	<u>(52,686)</u>	<u>(26,813)</u>	<u>(13,614)</u>	<u>(12,259)</u>
Net Increase in Net Position	3,167,916	1,612,153	818,589	737,174
Net Position restricted for OPEB beginning of Year	<u>17,286,204</u>	<u>8,796,949</u>	<u>4,466,755</u>	<u>4,022,500</u>
Net Position restricted for OPEB end of Year	<u><u>\$ 20,454,120</u></u>	<u><u>\$ 10,409,102</u></u>	<u><u>\$ 5,285,344</u></u>	<u><u>\$ 4,759,674</u></u>

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



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)

Generally Accepted Accounting Principles (GAAP) are set by the Governmental Accounting Standards Board (GASB), not the FASB as the private sector. The industry as a whole is a regulated industry that follows the Federal Energy Regulatory Commission (FERC) mandates. The Huntsville Electric System's regulatory body is the Tennessee Valley Authority which has adopted most of these directives as published in the Federal Code of Regulations Title 18. These statements offer short and long-term financial information about their activities. The Statements of Net Position include all of the individual System's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the System and assessing the liquidity and financial flexibility of the System.

The Utilities prepares its financial statements in accordance with the provisions of GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", paragraphs 476-500, for regulated operations. These paragraphs recognize that accounting for rate regulated enterprises should reflect the relationship of costs and revenues introduced by rate regulation.

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 the net assets portion of the balance sheets at September 30, 2020.

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.



Note 1 – Summary of Significant Accounting Policies (Continued)

Accounts Receivable - Trade

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, 2020 was:

	<u>Electric System</u>	<u>Gas System</u>	<u>Water System</u>
Accounts Receivable	\$1,251,288	\$ 115,562	\$ 99,318
Other Receivables	671,294	30,602	77,664

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.

Stored Gas Inventory

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 market place 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.

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. An allowance for funds used during construction is capitalized during the construction period.



Note 1 – Summary of Significant Accounting Policies (Continued)

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:

	<u>Electric System</u>	<u>Water System</u>
Regulatory Assets:		
Non-Current:		
Unamortized Debt Expense	\$ 393,301	\$ 432,068
Total Non-Current	<u>\$ 393,301</u>	<u>\$ 432,068</u>

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.

Taxes

The Utilities are not subject to federal and state income taxes. The Utilities collects utility tax from its customers on behalf of the State of Alabama. Revenue is presented net of taxes and collected in the statement of revenues, expenses, and changes in net position.



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.

Estimates

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

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 future financial position, results of operations, cash flows, or financial presentation of the Utilities upon implementation. Management has not yet evaluated the effect of implementation of these standards.



Note 1 - Summary of Significant Accounting Policies (Continued)

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
87	Leases	2022
91	Conduit Debt Obligations	2022
92	Omnibus	2021
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	2022
96	Subscription-Based Information Technology Arrangements	2022
97	Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans	2022

The objective of GASB Statement 87 (GASB 87) is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB 87 are effective for reporting periods beginning after June 15, 2021.

The primary objectives of GASB Statement 91 (GASB 91) 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.

A conduit debt obligation is defined as a debt instrument having all the following characteristics: There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.

The issuer and the third-party obligor are not within the same financial reporting entity.

The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.

The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.

The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).



Note 1 - Summary of Significant Accounting Policies (Continued)

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply: If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset. If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends. If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. The requirements for this Statement are effective for reporting periods beginning after December 15, 2020.

Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.



Note 1 - Summary of Significant Accounting Policies (Continued)

The objectives of GASB Statement 92 (GASB 92) are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The primary objective of GASB Statement 94 (GASB 94) 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.

GASB Statement 96 (GASB 96) 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 primary objectives of GASB Statement 97 (GASB 97) are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

Note 2 – Cash, Cash Equivalents, and Investments

At September 30, 2020, 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.



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

A summary of cash and investments for the year ended September 30, 2020 is as follows:

	Electric System	Natural Gas System	Water System
Carrying amounts of:			
Cash and Cash Equivalents			
Unrestricted	\$ 6,365,905	\$ 4,356,438	\$ 13,372,714
Customer Deposits - Restricted	47,491,370	629,642	6,283,035
Bond - Restricted	500,000	4,502,320	1,340
Board Designated	2,271,374	1,263,083	3,504,625
Investments			
Unrestricted	-	-	13,288,341
Customer Deposits - Restricted	-	4,777,625	-
Board Designated	16,206,867	13,522,053	16,775,724
Bond - Restricted	-	5,194,482	6,281,072
Total	\$ 72,835,516	\$ 34,245,643	\$ 59,506,851
Cash and Cash Equivalents			
Unrestricted	\$ 6,365,905	\$ 4,356,438	\$ 13,372,714
Customer Deposits - Restricted	47,491,370	629,642	6,283,035
Bond Funds - Restricted	500,000	4,502,320	1,340
Investments	-	-	13,288,341
Investments - Bond - Restricted			
Customer Deposits	-	4,777,625	-
Bond Construction Funds	-	5,194,482	6,281,072
Board Designated Accounts			
Cash and Cash Equivalents			
Insurance Fund	61,240	11,599	11,626
Worker's Comp Fund	-	-	73,285
Construction Fund	1,010,134	1,164,970	643,286
Renewal and Replacement Fund	-	86,514	-
Emergency Fund	1,200,000	-	-
System Development	-	-	2,776,428
Investments			
Insurance Fund	1,653,702	1,009,184	1,011,541
Worker's Comp Fund	2,017,355	2,011,495	1,862,192
Construction Fund	9,707,067	7,942,800	6,089,444
Emergency Fund	2,828,743	-	-
Rate Stabilization Fund	-	2,558,574	-
System Development	-	-	7,812,547
Total	\$ 72,835,516	\$ 34,245,643	\$ 59,506,851



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

At September 30, 2020, the Utilities had the following investments:

Investment	Maturity				Total
	<1	1-5	6-10		
Money Market Funds - U.S. Treasury Obligations	\$ 38,388,022	\$ -	\$ -	\$ -	\$ 38,388,022
Certificate of Deposits	1,287,174	-	-	-	1,287,174
Government Sponsored Enterprises	2,042,160	34,328,808	-	-	36,370,968
Totals	\$ 41,717,356	\$ 34,328,808	\$ -	\$ -	\$ 76,046,164

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 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, 2020 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).



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

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 plan has the ability to access.

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 asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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, 2020 are as follows:

	Level 1	Total
Money Market Funds - U.S. Treasury Obligations	\$ 38,388,022	\$ 38,388,022
Certificate of Deposits	1,287,174	1,287,174
Government Sponsored Enterprises	36,370,968	36,370,968
	<u>\$ 76,046,164</u>	<u>\$ 76,046,164</u>

There have been no changes in the methodologies used at September 30, 2020.

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 – Utility Plant in Service

Capital asset activity by System for fiscal year 2020 is as follows:

Electric System

	Balance 10/01/2019	Increases	Decreases	Balance 09/30/2020
Land and land rights	\$ 5,003,924	\$ -	\$ (504)	\$ 5,003,420
Structures and improvements	582,006,143	50,537,816	(5,626,001)	626,917,958
Furniture, fixtures and other	70,272,035	3,958,084	(747,247)	73,482,872
Total	657,282,102	54,495,900	(6,373,752)	705,404,250
Less accumulated depreciation	(335,074,934)	(26,363,760)	6,457,640	(354,981,054)
Construction in progress	39,870,613	43,525,400	(66,426,772)	16,969,241
Total	\$ 362,077,781	\$ 71,657,540	\$ (66,342,884)	\$ 367,392,437

Natural Gas System

	Balance 10/01/2019	Increases	Decreases	Balance 09/30/2020
Land and land rights	\$ 1,803,038	\$ -	\$ -	\$ 1,803,038
Structures and improvements	184,215,352	6,313,639	(100,163)	190,428,828
Furniture, equipment and other	13,631,743	1,084,595	(217,844)	14,498,494
Total	199,650,133	7,398,234	(318,007)	206,730,360
Less accumulated depreciation	(81,138,276)	(5,309,587)	360,897	(86,086,966)
Construction in progress	4,068,992	12,270,876	(6,213,476)	10,126,392
Total	\$ 122,580,849	\$ 14,359,523	\$ (6,170,586)	\$ 130,769,786

Water System

	Balance 10/01/2019	Increases	Decreases	Balance 09/30/2020
Land and land rights	\$ 2,257,758	\$ -	\$ -	\$ 2,257,758
Structures and improvements	406,269,832	9,618,137	(455,868)	415,432,101
Furniture, equipment and other	14,974,678	1,074,398	(71,284)	15,977,792
Total	423,502,268	10,692,535	(527,152)	433,667,651
Less accumulated depreciation	(149,088,627)	(11,032,157)	527,152	(159,593,632)
Construction in progress	13,289,844	17,747,787	(9,162,269)	21,875,362
Total	\$ 287,703,485	\$ 17,408,165	\$ (9,162,269)	\$ 295,949,381



Note 4 – Long-Term Debt

The Utilities have numerous outstanding debt obligations. A summary of the current year principal activity and a detailed description of each debt instrument follows.

Principal activity for the year 2020:

	10/01/2019		Increases		Decreases	09/30/2020
Electric Systems	\$ 77,575,000	\$ -		\$ 2,800,000		\$ 74,775,000
Natural Gas Systems	9,500,000	-		1,461,473		8,038,527
Water Systems	102,780,000	-		4,750,000		98,030,000
Totals	\$ 189,855,000	\$ -		\$ 9,011,473		\$ 180,843,527



Note 4 – Long-Term Debt (Continued)

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 follows:

Bond Issue			
Series 2017-A			
Year	Principal	Interest	Rate
2021	1,890,000	2,821,000	5.00%
2022	1,985,000	2,724,125	5.00%
2023	1,615,000	2,634,125	5.00%
2024	2,170,000	2,539,500	5.00%
2025	2,280,000	2,428,250	5.00%
2026	2,400,000	2,311,250	5.00%
2027	2,520,000	2,188,250	5.00%
2028	2,650,000	2,059,000	5.00%
2029	2,785,000	1,923,125	5.00%
2030	2,930,000	1,780,250	5.00%
2031	3,080,000	1,630,000	5.00%
2032	3,240,000	1,472,000	5.00%
2033	3,405,000	1,305,875	5.00%
2034	3,580,000	1,131,250	5.00%
2035	3,760,000	947,750	5.00%
2036	3,955,000	754,875	5.00%
2037	4,155,000	552,125	5.00%
2038	4,370,000	339,000	5.00%
2039	4,595,000	114,875	5.00%
Total	57,365,000	31,656,625	
Current	1,890,000	2,821,000	
Noncurrent	\$ 55,475,000	\$ 28,835,625	

The 2017-A issue contained issuance cost of \$364,297 that are classified as regulatory asset and amortized over 20 years. At September 30, 2020, the unamortized regulatory asset is \$290,454. The 2017-A issue also contained a premium of \$11,204,297 that is being amortized over 20 years. At September 30, 2020, the unamortized premium is \$8,593,946. 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.



Note 4 – Long-Term Debt (Continued)

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 potion 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 follows:

Bond Issue			
Series 2017-B			
Year	Principal	Interest	Rate
2021	1,050,000	830,600	5.00%
2022	1,105,000	776,725	5.00%
2023	1,625,000	708,475	5.00%
2024	1,240,000	636,850	5.00%
2025	1,300,000	573,350	5.00%
2026	1,365,000	513,550	5.00%
2027	1,425,000	450,625	5.00%
2028	1,500,000	377,500	5.00%
2029	1,575,000	300,625	5.00%
2030	1,655,000	219,875	5.00%
2031	1,740,000	135,000	5.00%
2032	1,830,000	45,750	5.00%
Total	17,410,000	5,568,925	
Current	1,050,000	830,600	
Noncurrent	\$ 16,360,000	\$ 4,738,325	

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, 2020, the unamortized regulatory asset is \$102,847. The 2017-B issue also contained a premium of \$3,669,067 that is being amortized over 15 years. At September 30, 2020, the unamortized premium is \$2,345,399.



Note 4 – Long-Term Debt (Continued)

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).

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 amounts deferred on the reacquisition of the 2011 and 2007 Warrants were \$724,573 and \$128,551, respectively. The deferred amount on the 2007 Warrants includes \$81,860 of previous unamortized issuance costs and is net of \$31,187 of an unamortized premium. The deferred amount on the 2011 Warrants includes \$99,245 of previous unamortized refunding costs and is net of \$2,150,002 of an unamortized premium. The deferred amount of the 2007 Warrants is being amortized over the remaining life of the 2007 Warrants using the straight line method. The deferred amount of the 2011 Warrants is being amortized over the life of the 2017-B Warrants. Amortization of \$56,876 has been recorded as of September 30, 2020.

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.



Note 4 – Long-Term Debt (Continued)

Water System

City of Huntsville, Alabama Water Revenue Warrants, Series 2013 - Water System Revenue Warrants, Series 2013 were issued in the original amount of \$180,000. The warrants mature serially on August 15 each year and bear interest according to stated maturity dates as follows:

2013 Water

Fiscal Year	Principal	Interest	Rate
2021	10,000	3,438	2.75%
2022	10,000	3,163	2.75%
2023	10,000	2,888	2.75%
2024	10,000	2,613	2.75%
2025	10,000	2,338	2.75%
2026	10,000	2,063	2.75%
2027	10,000	1,788	2.75%
2028	10,000	1,513	2.75%
2029	10,000	1,238	2.75%
2030	10,000	963	2.75%
2031	10,000	688	2.75%
2032	10,000	413	2.75%
2033	10,000	138	2.75%
Total	130,000	23,244	
Current	10,000	3,438	
Noncurrent	\$ 120,000	\$ 19,806	

The interest is payable on February 15 and August 15 of each year. Each installment of principal and interest shall bear interest after its due date until paid at a per annum rate of interest equal to 2% above the Authority Trustee Prime rate. The 2013 Series Warrants maturing in 2023 shall be subject to redemption prior to their respective maturities, at the option of the Board, on August 15, 2022, and on any date thereafter, as a whole or in part, at the redemption price equal to the principal amount thereof to be redeemed plus accrued interest to the redemption date.

The 2013 Warrants are secured by the net revenues from the operations of the Water System after payment of the cost of its operations and maintenance.

The Series 2013 Revenue Warrants were issued to pay costs of the Huntsville Utilities Variable Frequency Drive Installation project.



Note 4 – Long-Term Debt (Continued)

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

2015 Water

Fiscal Year	Principal	Interest	Rate
2021	3,450,000	3,629,150	5.00%
2022	3,575,000	3,507,150	2.00%
2023	3,700,000	3,378,900	5.00%
2024	3,890,000	3,189,150	5.00%
2025	4,090,000	2,989,650	5.00%
2026	4,300,000	2,779,900	5.00%
2027	4,520,000	2,559,400	5.00%
2028	4,755,000	2,327,525	5.00%
2029	4,995,000	2,083,775	5.00%
2030	5,255,000	1,827,525	5.00%
2031	5,525,000	1,558,025	3.38%
2032	5,760,000	1,322,700	4.00%
2033	5,975,000	1,106,000	5.00%
2034	6,250,000	830,250	5.00%
2035	6,570,000	509,750	5.00%
2036	6,910,000	172,750	5.00%
Total	79,520,000	33,771,600	
Current	3,450,000	3,629,150	
Noncurrent \$	76,070,000	\$ 30,142,450	

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.

The Series 2015 Warrants bond indenture does not require the Water System to establish a reserve account but does require the Water System to establish a Warrant Fund equal to one twelfth (1/12) of the principal of the Series 2015 Warrants coming due on November 1 each year and one sixth (1/6) of the interest due each year.

The 2015 Warrants are secured by the net revenues from the operations of the Water System after payment of the cost of its operations and maintenance and by the monies and investments on deposit in trust funds created by the Trust Indenture under which the warrants were issued.

The 2015 issue contained issuance cost of \$406,698 that are classified as regulatory asset and amortized over 20 years. At September 30, 2020, the unamortized regulatory asset is \$303,329.



Note 4 – Long-Term Debt (Continued)

The 2015 issue also contained a premium of \$12,610,058 that is being amortized over 20 years. At September 30, 2019, the unamortized premium is \$8,079,698.

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:

2016 Water

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Rate</u>
2021	430,000	363,825	5.000%
2022	450,000	341,825	5.000%
2023	475,000	318,700	5.000%
2024	505,000	294,200	5.000%
2025	525,000	268,450	5.000%
2026	550,000	241,575	5.000%
2027	580,000	213,325	5.000%
2028	610,000	186,625	4.000%
2029	640,000	158,425	5.000%
2030	670,000	125,675	5.000%
2031	705,000	91,300	5.000%
2032	730,000	62,269	3.125%
2033	755,000	38,594	3.250%
2034	780,000	13,163	3.375%
Total	8,405,000	2,717,951	
Current	430,000	363,825	
Noncurrent	\$ 7,975,000	\$ 2,354,126	

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 2016 issue contained issuance cost of \$171,652 that are classified as regulatory asset and amortized over 20 years. At September 30, 2020, the unamortized regulatory asset is \$128,739. The 2016 issue also contained a premium of \$1,090,205 that is being amortized over 20 years. At September 30, 2020, the unamortized premium is \$720,032.



Note 4 – Long-Term Debt (Continued)

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 as follows:

2019 Water

Fiscal Year	Principal	Interest	Rate
2021	1,011,000	206,300	2.28%
2022	1,034,000	182,769	2.28%
2023	1,058,000	158,692	2.28%
2024	1,082,000	134,068	2.28%
2025	1,106,000	108,897	2.28%
2026	1,132,000	83,136	2.28%
2027	1,157,000	56,804	2.28%
2028	1,184,000	29,860	2.28%
2029	1,211,000	2,301	2.28%
Total	9,975,000	962,827	
Current	1,011,000	206,300	
Noncurrent \$	8,964,000	\$ 756,527	



Note 4 – 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 \$41,949 are made monthly on the first of the month.

2019 Gas A

Fiscal Year	Principal	Interest	Rate
2021	416,936	86,450	2.23%
2022	426,329	77,057	2.23%
2023	435,934	67,452	2.23%
2024	445,756	57,631	2.23%
2025	455,798	47,588	2.23%
2026	466,067	37,319	2.23%
2027	476,567	26,819	2.23%
2028	487,304	16,083	2.23%
2029	456,334	5,104	2.23%
Total	4,067,025	421,504	
Current	416,936	86,450	
Noncurrent	3,650,090	335,053	

City of Huntsville, Alabama Gas Revenue and Term Warrant, Series 2019-B – Gas System Revenue Warrants, Series 2019-A, 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.

2019 Gas B

Fiscal Year	Principal	Interest	Rate
2021	980,857	79,637	2.26%
2022	1,003,255	57,239	2.26%
2023	1,026,165	34,329	2.26%
2024	961,224	10,896	2.26%
Total	3,971,501	182,101	
Current	980,857	79,637	
Noncurrent	2,990,644	102,464	



Note 5 – 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, 2020 are as follows:

	Accrued Annual Leave	Accrued Sick Leave
Electric System	\$ 3,003,155	\$ 583,969
Natural Gas System	931,560	286,941
Water System	1,074,754	278,947
Totals	\$ 5,009,469	\$ 1,149,857

Note 6 – 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 13 trustees. The Plan is administered by the Retirements Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.



Note 6 – Defined Benefit Pension Plan and Description (Continued)

6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:

- a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
- b. Two vested active state employees.
- c. Two vested active employees of an employer participating in ERS pursuant to § 36-27-6.

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for Tier 1 ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 1 members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method. On October 1, 2020, Tier 2 employees were awarded the same benefits as Tier 1.

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 are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.



Note 6 – Defined Benefit Pension Plan and Description (Continued)

The ERS serves approximately 907 local participating employers. The ERS membership includes approximately 93,986 participants. As of September 30, 2020, membership consisted of:

	<u>ERS</u>	<u>Electric</u>	<u>Gas</u>	<u>Water</u>
Retirees and beneficiaries currently receiving benefits	25,871	122	168	59
Vested Inactive Members	1,794	3	5	2
Non-vested Inactive Members	11,001	2	16	1
Active Members	55,222	163	406	112
Post-DROP participants who are still in active service	98	-	-	-
Total	<u><u>93,986</u></u>	<u><u>290</u></u>	<u><u>595</u></u>	<u><u>174</u></u>

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS 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. ERS local participating employers are not required by statute to increase contribution rates for their members.

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 contribution rates are the same for Tier 2 covered members of ERS local Participating employers.

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



Note 6 – Defined Benefit Pension Plan and Description (Continued)

For the year ended September 30, 2020, 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, 2020 was as follows

	Electric Systems		Natural Gas Systems		Water Systems	
	2020		2020		2020	
	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2
Normal Cost	1.54%	0.17%	1.91%	0.33%	1.51%	-0.49%
Accrue Liability	17.90%	17.90%	8.11%	8.11%	12.76%	12.76%
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>19.81%</u>	<u>18.44%</u>	<u>10.39%</u>	<u>8.81%</u>	<u>14.64%</u>	<u>12.64%</u>

These required contribution rates are based upon the actuarial valuation dated September 30, 2017, 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, 2020 from the utilities were:

	Electric	Gas	Water
	2020	2020	2020
Employer Contributions	\$ 2,457,413	\$ 2,832,902	\$ 1,029,209



Note 6 – Defined Benefit Pension Plan and Description (Continued)

Net Pension Liability

The Utilities net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018 rolled forward to September 30, 2019 using standard roll-forward techniques as shown in the following table:

	Electric		Gas		Water	
	Expected	Actual	Expected	Actual	Expected	Actual
(a) Total pension liability as of September 30, 2018 (a)	\$70,750,886	\$69,923,477	\$100,123,728	\$101,413,330	\$36,392,656	\$37,440,718
(b) Discount Rate	7.70%	7.70%	7.70%	7.70%	7.70%	7.70%
(c) Entry Age Normal Cost for October 1, 2018 - September 30, 2019 (b)	800,172	800,172	1,965,511	1,965,511	455,649	455,649
(d) Transfers Among Employers:	-	31,357	-	(25,216)	-	(449,141)
(e) Actual benefit payments and refunds for October 1, 2018 - September 30, 2019 (c)	<u>(5,037,600)</u>	<u>(5,037,600)</u>	<u>(5,340,052)</u>	<u>(5,340,052)</u>	<u>(2,258,843)</u>	<u>(2,258,843)</u>
(f) Total pension liability as of September 30, 2019 = [(a) X (1.08)] + (b) - [(c) X (1.04)]	<u>\$71,767,329</u>	<u>\$70,907,566</u>	<u>\$104,253,122</u>	<u>\$105,616,807</u>	<u>\$37,304,731</u>	<u>\$37,984,353</u>
(g) Difference between Expected and Actual:		(859,763)		1,363,685		679,622
(h) Less Liability Transferred for Immediate Recognition:		<u>31,357</u>		<u>(25,216)</u>		<u>(449,141)</u>
(i) Experience (Gain)/Loss = (g) - (h)		(891,120)		1,388,901		1,128,763

Actuarial Assumptions

The total pension liability as of September 30, 2019 actuarial valuation was based on the annual actuarial funding valuation report prepared as of September 30, 2018. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary Increase	3.25% - 5.00%
Investment rate of return*	7.70%

*Net of pension plan investment expenses

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

The actuarial assumptions used in the September 30, 2017 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2016.

The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.



Note 6 – Defined Benefit Pension Plan and Description (Continued)

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:

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	17.0%	4.40%
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%	10.10%
Real Estate	10.0%	7.50%
Cash equivalents	3.0%	1.50%
Total	<u>100.0%</u>	

* Includes assumed rate of inflation of 2.75%

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit 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 6 – Defined Benefit Pension Plan and Description (Continued)

Changes in Net Pension Liability

<u>Electric System</u>	<u>Increases (Decreases)</u>		
	<u>Total</u>	<u>Plan</u>	<u>Net</u>
	<u>Pension</u>	<u>Fiduciary</u>	<u>Pension</u>
	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balance at September 30, 2018	<u>\$ 70,750,886</u>	<u>\$ 37,794,800</u>	<u>\$ 32,956,086</u>
Changes for the year:			
Service Cost	800,172	-	800,172
Interest	5,253,871	-	5,253,871
Difference between expected and actual experience	(891,120)	-	(891,120)
Contributions - employer	-	2,305,591	(2,305,591)
Contributions - employee	-	661,819	(661,819)
Net investment income	-	944,320	(944,320)
Benefit payments, including refunds of employee contributions	(5,037,600)	(5,037,600)	-
Transfers among employees	31,357	31,357	-
Net Changes	<u>156,680</u>	<u>(1,094,513)</u>	<u>1,251,193</u>
Balance at September 30, 2019	<u>\$ 70,907,566</u>	<u>\$ 36,700,287</u>	<u>\$ 34,207,279</u>



Note 6 – Defined Benefit Pension Plan and Description (Continued)

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at September 30, 2018	\$ 100,123,728	\$ 69,023,950	\$ 31,099,778
Changes for the year:			
Service Cost	1,965,511	-	1,965,511
Interest	7,503,935	-	7,503,935
Difference between expected and actual experience	-	-	-
1,388,901	1,388,901	-	1,388,901
Contributions - employer	-	2,678,445	(2,678,445)
Contributions - employee	-	1,468,803	(1,468,803)
Net investment income	-	1,756,764	(1,756,764)
Benefit payments, including refunds of employee contributions	(5,340,052)	(5,340,052)	-
Transfers among employees	(25,216)	(25,216)	-
Net Changes	5,493,079	538,744	4,954,335
Balance at September 30, 2019	\$ 105,616,807	\$ 69,562,694	\$ 36,054,113



Note 6 – Defined Benefit Pension Plan and Description (Continued)

<u>Water System</u>	Increases (Decreases)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at September 30, 2018	<u>\$ 36,392,656</u>	<u>\$ 22,056,502</u>	<u>\$ 14,336,154</u>
Changes for the year:			
Service Cost	455,649	-	455,649
Interest	2,715,269	-	2,715,269
Contributions - employer	-	953,170	(953,170)
Contributions - employee	-	370,519	(370,519)
Net investment income	-	548,595	(548,595)
Benefit payments, including refunds of employee contributions	(2,258,843)	(2,258,843)	-
Transfers among employees	<u>(449,141)</u>	<u>(449,141)</u>	<u>-</u>
Net Changes	<u>1,591,697</u>	<u>(835,700)</u>	<u>2,427,397</u>
Balance at September 30, 2019	<u>\$ 37,984,353</u>	<u>\$ 21,220,802</u>	<u>\$ 16,763,551</u>

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 7.70%, 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 (6.70%) or 1-percentage-point higher (8.70%) than the current rate:

	<u>1% Decrease</u> <u>6.70%</u>	<u>Discount Rate</u> <u>7.70%</u>	<u>1% Increase</u> <u>8.70%</u>
Electric	\$42,461,573	\$ 34,207,279	\$27,270,247
Gas	49,711,838	36,054,113	24,620,503
Water	21,278,683	16,763,551	12,950,777



Note 6 – 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 Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2019. The auditor’s report dated August 27, 2020 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.

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

For the year ended September 30, 2020, the City recognized the following pension expense.

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>
	2020	2020	2020
Recognized Pension Expense	\$ 3,554,410	\$ 3,947,436	\$ 1,772,139

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

<u>Electric System</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,590,902	\$ 758,117
Changes of assumptions	856,186	-
Net differences between projected and actual earnings on pension plan investments	378,883	-
Employer contributions subsequent to the measurement date	<u>2,457,413</u>	<u>-</u>
Totals	<u>\$ 5,283,384</u>	<u>\$ 758,117</u>



Note 6 – Defined Benefit Pension Plan and Description (Continued)

<u>Natural Gas Systems</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 3,190,320	\$ 619,166
Changes of assumptions	1,459,399	-
Net differences between projected and actual earnings on pension plan investments	868,521	-
Employer contributions subsequent to the measurement date	<u>2,832,902</u>	<u>-</u>
Totals	<u>\$ 8,351,142</u>	<u>\$ 619,166</u>

<u>Water Systems</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,908,161	\$ -
Changes of assumptions	488,657	-
Net differences between projected and actual earnings on pension plan investments	247,131	-
Employer contributions subsequent to the measurement date	<u>1,029,209</u>	<u>-</u>
Totals	<u>\$ 3,673,158</u>	<u>\$ -</u>



Note 6 – Defined Benefit Pension Plan and Description (Continued)

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

	<u>Electric System</u>	<u>Natural Gas System</u>	<u>Water System</u>
Year ended September 30:			
2021	\$ 508,082	\$ 525,206	\$ 387,032
2022	494,731	749,134	445,894
2023	627,080	1,272,549	616,850
2024	542,771	1,451,409	657,249
2025	(11,708)	527,888	243,009
Thereafter	(93,102)	372,888	293,915

Note 7 – 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 8 – 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, 2020, the following employees were covered by the benefit terms:

Membership Group

Inactive plan members or beneficiaries currently receiving benefit payments	270
Inactive plan members entitled to but not yet receiving benefit payments	
Active plan members	<u>665</u>
Total Membership	<u><u>935</u></u>

Contributions – The benefits are not provided under any statutory or contractual authority, but rather by administrative decision. For 2020, the Utilities contributed \$4,478,205.

Net OPEB Liability

The Utilities’ net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary Increase	3.25% - 5.00%
Long-term investment Rate of Return	5.00%



Note 8 – Post-Employment Benefits Other Than Pension Benefits (Continued)

Mortality rates for active employees were based on the sex distinct RP-2000 Employee Mortality Table projected with Scale BB to 2020 with an adjustment factor of 70% for males and 50% for females. Post-employment mortality rates on the sex distinct RP-2000 Blue Collar Mortality Table projected with Scale BB to 2020. An adjustment of 125% at all ages for males and 120% for females beginning at age 78 was made for service retirements and beneficiaries. An adjustment of 130% for females at all ages was made for disability retirements.

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 September 30, 2018. In addition to the actuarial methods and assumptions of the September 30, 2018 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.00%.
- 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 8 – Post-Employment Benefits Other Than Pension Benefits (Continued)

<u>Electric System</u>	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 9/30/2019	\$ 26,809,644	\$ 8,796,949	\$ 18,012,695
Changes for the year:			
Service Cost	493,076	-	493,076
Interest Cost	1,317,045	-	1,317,045
Differences between expected and actual	174,259	-	174,259
Contributions - employer	-	2,278,959	(2,278,959)
Change in Assumptions	-	-	-
Net investment income	-	309,077	(309,077)
Benefit payments	(949,071)	(949,071)	-
Administrative expense	-	(26,811)	26,811
Net Changes	1,035,309	1,612,155	(576,846)
Balances at 9/30/2020	\$ 27,844,953	\$ 10,409,104	\$ 17,435,849
<u>Gas System</u>	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 9/30/2019	\$ 13,612,914	\$ 4,466,755	\$ 9,146,159
Changes for the year:			
Service Cost	250,365	-	250,365
Interest Cost	668,745	-	668,745
Differences between expected and actual	88,482	-	88,482
Contributions - employer	-	1,157,168	(1,157,168)
Change in Assumptions	-	-	-
Net investment income	-	156,937	(156,937)
Benefit payments	(481,902)	(481,902)	-
Administrative expense	-	(13,614)	13,614
Net Changes	525,690	818,590	(292,900)
Balances at 9/30/2020	\$ 14,138,604	\$ 5,285,345	\$ 8,853,259
<u>Water System</u>	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 9/30/2019	\$ 12,258,998	\$ 4,022,500	\$ 8,236,498
Changes for the year:			
Service Cost	225,464	-	225,464
Interest Cost	602,233	-	602,233
Differences between expected and actual	79,682	-	79,682
Contributions - employer	-	1,042,078	(1,042,078)
Change in Assumptions	-	-	-
Net investment income	-	141,329	(141,329)
Benefit payments	(433,973)	(433,973)	-
Administrative expense	-	(12,260)	12,260
Net Changes	473,406	737,174	(263,768)
Balances at 9/30/2020	\$ 12,732,404	\$ 4,759,674	\$ 7,972,730



Note 8 – Post-Employment Benefits Other Than Pension Benefits (Continued)

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:

	Discount Rate Sensitivity		
	1% Decrease	Trend Rate	1% Increase
	4.00%	5.00%	6.00%
Net OPEB Liability	\$ 43,837,478	\$ 34,261,840	\$ 26,577,509

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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current discount rate:

	Healthcare Cost Trend Rate Sensitivity		
	1% Decrease	Current	1% Increase
Net OPEB Liability	\$ 25,057,842	\$ 34,261,840	\$ 46,191,655

At September 30, 2020, the Huntsville Utilities reported deferred outflows of resources and deferred inflows of resources related to OPEB of the following sources:

Electric Systems	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 153,136	\$ 1,702,145
Change of assumptions or other inputs	-	4,623,896
Net difference between projected and actual earnings on plan investments	341,735	-
Total	\$ 494,871	\$ 6,326,041



Note 8 – Post-Employment Benefits Other Than Pension Benefits (Continued)

Gas Systems	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 77,757	\$ 864,284
Change of assumptions or other inputs	-	2,136,310
Net difference between projected and actual earnings on plan investments	<u>161,891</u>	<u>-</u>
Total	<u>\$ 239,648</u>	<u>\$ 3,000,594</u>

Water Systems	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 70,023	\$ 778,324
Change of assumptions or other inputs	-	2,069,717
Net difference between projected and actual earnings on plan investments	<u>153,637</u>	<u>-</u>
Total	<u>\$ 223,660</u>	<u>\$ 2,848,041</u>



Note 9 – 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, 2020 is as follows:

	<u>2020</u>
Electric System	\$ 15,437,942
Natural Gas System	2,652,790
Water System	2,708,003

Note 10 – Gas Purchase Commitments

The Gas System has entered into a purchase contract with Tennessee Energy Acquisition Corporation to establish the purchase price for natural gas. The contracts allow the Gas System to lock in certain volumes of gas to be purchased and prices for that gas. Under the contract, the Gas System has committed to purchase 1,572,500 MMBtus per year through December 2026 at index less .56 cents.

The Gas System has entered into a purchase contract with Southeast Alabama Gas Supply District to procure natural gas supply. Under the contract, the Gas System has committed to purchase 219,958 MMBtu per year through October 2024 at index less \$0.35, and 439,895 MMBtu per year November 2024 through April 2049 at a discount yet to be determined.

The Gas System has entered into a 2nd purchase contract with Tennessee Energy Acquisition Corporation to procure natural gas supply. Under the contract, the Gas System has committed to purchase 231,200 MMBtu per year through March 2026 at index less \$0.43, and 1,152,100 MMBtu per year through June 2049 at a discount yet to be determined.

Note 11 – 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 12 – 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
Flood and earthquake	10,000,000
Blanket crime	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
Workers compensation:	
Bodily injury (accident and disease)	Statutory
Excess coverage per occurrence (SIR)	1,000,000
Comprehensive general liability	Self-insured

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 2020:

	Electric	Gas	Water
Beginning Balance	\$ 497,051	\$ 121,967	\$ 170,982
Changes in Estimate	(86,251)	36,033	50,218
Ending Balance	<u>\$ 410,800</u>	<u>\$ 158,000</u>	<u>\$ 221,200</u>

Note 13 – Commitments and Contingencies

General Litigation

The Utilities are a party to a number of legal actions arising in the ordinary course of its business. In management's opinion, the Utilities have adequate legal defenses, insurance coverage, and/or self-insured reserves respecting each of these actions and does not believe that they will materially affect the Utilities' operations or financial position.



Note 13 – Commitments and Contingencies (continued)

Construction Commitment

The Utilities entered into one construction contract with Bear Communication during fiscal year 2018 which is for the purpose of constructing a fiber network, with the work wrapping up in 2020. The Utilities entered into a maintenance contract with Sparks for the electric system in 2020. The Utilities also entered into a construction contract with Aclara in 2019 to change out all regular meters into AMI Smart Meters. The total contract for each vendor is as follows:

	<u>Original Contract Amount</u>	<u>Amount Paid in current year</u>	<u>Amount Remaining</u>
Constructing a fiber network			
Bear Communication	45,236,000	4,529,077	5,001,456
Electric Maintenance			
Sparks	2,000,000	1,609,725	390,275
Constructing AMI Meter Network			
Aclara	8,500,000	1,091,735	1,732,059

Note 14 – Customer Deposits

During 2020, the Utilities had the following Customer Deposits:

	<u>Deposits</u>	<u>Accrued Interest</u>	<u>Total</u>
Electric System	\$ 38,461,350	\$ 9,030,020	\$ 47,491,370
Natural Gas System	4,379,128	1,028,139	5,407,267
Water System	5,088,378	1,194,657	6,283,035
	<u>\$ 47,928,856</u>	<u>\$ 11,252,816</u>	<u>\$ 59,181,672</u>

During 2020, the Utilities had the following Customer Deposit transactions:

Deposit Transactions

	<u>Beginning Balance</u>	<u>New deposits</u>	<u>Returned Deposits</u>	<u>Deposit Allocation</u>	<u>Ending Balance</u>
Electric System	\$ 37,130,525	\$ 9,199,214	\$ (7,237,774)	\$ (630,615)	\$ 38,461,350
Natural Gas System	3,636,052	1,047,403	(824,078)	519,751	4,379,128
Water System	4,720,691	1,217,042	(957,546)	108,191	5,088,378
	<u>\$ 45,487,268</u>	<u>\$ 11,463,659</u>	<u>\$ (9,019,398)</u>	<u>\$ (2,673)</u>	<u>\$ 47,928,856</u>

Note 15 – Subsequent Events

The Utilities have evaluated subsequent events between September 30, 2020 and December 16, 2020, the date the financial statements were available to be issued, and there are none to disclose.

Required Supplementary Information

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



<u>ELECTRIC SYSTEM</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY:						
Service Cost	\$ 800,172	\$ 803,722	\$ 784,310	\$ 719,480	\$ 711,294	\$ 731,584
Interest	5,253,871	5,095,499	4,956,251	4,837,042	4,638,804	4,509,630
Difference in expected an actual experience	(891,120)	1,203,286	724,096	577,633	1,097,266	-
Changes of assumptions	-	373,579	-	1,593,475	-	-
Benefit payments, including refunds of employee contributions	(5,037,600)	(4,973,859)	(4,400,918)	(4,124,002)	(3,814,789)	(3,438,283)
Transfer among employees	31,357	13,353	19,486	23,428	-	-
Net change in total pension liability	156,680	2,515,580	2,083,225	3,627,056	2,632,575	1,802,931
Total pension liability - beginning	70,750,886	68,235,306	66,152,081	62,525,025	59,892,450	58,089,519
Total pension liability - end (a)	\$ 70,907,566	\$ 70,750,886	\$ 68,235,306	\$ 66,152,081	\$ 62,525,025	\$ 59,892,450
PLAN FIDUCIARY NET POSITION:						
Contribution - employer	\$ 2,305,591	\$ 2,182,899	\$ 2,147,571	\$ 1,991,515	\$ 1,891,153	\$ 1,956,167
Contribution - member	661,819	614,210	595,914	589,360	548,691	544,943
Net investment income	944,320	3,293,140	4,254,699	3,217,256	387,215	3,616,105
Benefit payments, including refunds of employee contributions	(5,037,600)	(4,973,859)	(4,400,918)	(4,124,002)	(3,814,789)	(3,438,283)
Transfers among employees	31,357	13,353	19,486	23,428	25,241	-
Net change in plan fiduciary net position	(1,094,513)	1,129,743	2,616,752	1,697,557	(962,489)	2,678,932
Plan net position - beginning	37,794,800	36,665,057	34,048,305	32,350,748	33,313,237	30,634,305
Plan net position - end (b)	\$ 36,700,287	\$ 37,794,800	\$ 36,665,057	\$ 34,048,305	\$ 32,350,748	\$ 33,313,237
Net pension liability - ending (a) - (b)	\$ 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	51.76%	53.42%	53.73%	51.47%	51.74%	55.62%
Covered employee payroll*	\$ 25,633,846	\$ 24,141,580	\$ 11,424,043	\$ 11,425,176	\$ 10,519,400	\$ 10,518,022
Net pension liability as a percentage of covered employee payroll	133.45%	136.51%	276.35%	280.99%	286.84%	252.70%

* Employer's covered payroll during the measurement period is the covered payroll. For FY2020, the measurement period is October 1, 2018 - September 30, 2019.

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



GAS SYSTEMS

	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY:						
Service Cost	\$ 1,965,511	\$ 1,897,962	\$ 1,882,258	\$ 1,721,132	\$ 1,573,503	\$ 1,505,782
Interest	7,503,935	7,247,347	6,741,176	6,418,834	6,078,446	5,786,806
Difference in expected an actual experience	1,388,901	(822,170)	2,366,215	659,005	435,578	-
Changes of assumptions	-	586,214	-	1,964,837	-	-
Benefit payments, including refunds of employee contributions	(5,340,052)	(4,681,062)	(4,251,400)	(3,866,137)	(3,799,232)	(3,494,950)
Transfer among employees	(25,216)	40,750	7,819	42,460	-	-
Net change in total pension liability	5,493,079	4,269,041	6,746,068	6,940,131	4,288,295	3,797,638
Total pension liability - beginning	100,123,728	95,854,687	89,108,619	82,168,488	77,880,193	74,082,555
Total pension liability - end (a)	\$ 105,616,807	\$ 100,123,728	\$ 95,854,687	\$ 89,108,619	\$ 82,168,488	\$ 77,880,193
PLAN FIDUCIARY NET POSITION:						
Contribution - employer	\$ 2,678,445	\$ 2,545,068	\$ 2,756,952	\$ 2,756,354	\$ 2,552,653	\$ 2,501,138
Contribution - member	1,468,803	1,492,658	1,369,673	1,357,425	1,215,689	1,134,390
Net investment income	1,756,764	5,872,386	7,243,192	5,220,617	599,470	5,401,049
Benefit payments, including refunds of employee contributions	(5,340,052)	(4,681,062)	(4,251,400)	(3,866,137)	(3,799,232)	(3,494,950)
Transfers among employees	(25,216)	40,750	7,819	42,460	7,562	41,272
Net change in plan fiduciary net position	538,744	5,269,800	7,126,236	5,510,719	576,142	5,582,899
Plan net position - beginning	69,023,950	63,754,150	56,627,914	51,117,195	50,541,053	44,958,154
Plan net position - end (b)	\$ 69,562,694	\$ 69,023,950	\$ 63,754,150	\$ 56,627,914	\$ 51,117,195	\$ 50,541,053
Net pension liability - ending (a) - (b)	\$ 36,054,113	\$ 31,099,778	\$ 23,697,737	\$ 32,480,705	\$ 31,051,293	\$ 27,339,140
Plan fiduciary net position as a percentage of the total pension liability	65.86%	68.94%	66.51%	63.55%	62.21%	64.90%
Covered employee payroll*	\$ 8,157,308	\$ 7,739,953	\$ 26,518,350	\$ 26,520,532	\$ 24,318,743	\$ 22,247,041
Net pension liability as a percentage of covered employee payroll	441.99%	401.81%	121.05%	122.47%	127.68%	122.89%

* Employer's covered payroll during the measurement period is the covered payroll. For FY2020, the measurement period is October 1, 2018 - September 30, 2019.

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



WATER SYSTEM

TOTAL PENSION LIABILITY:

	2019	2018	2017	2016	2015	2014
Service Cost	\$ 455,649	\$ 485,793	\$ 477,197	\$ 441,272	\$ 402,811	\$ 386,061
Interest	2,715,269	2,610,062	2,488,908	2,345,199	2,243,404	2,164,859
Difference in expected an actual experience	1,128,763	156,748	453,854	976,221	194,984	-
Changes of assumptions	-	200,946	-	684,563	-	-
Benefit payments, including refunds of employee contributions	(2,258,843)	(2,112,418)	(1,645,720)	(1,564,096)	(1,573,407)	(1,564,812)
Transfer among employees	(449,141)	317,095	22,388	(42,396)	-	-
Net change in total pension liability	1,591,697	1,658,226	1,796,627	2,840,763	1,267,792	986,108
Total pension liability - beginning	36,392,656	34,734,430	32,937,803	30,097,040	28,829,248	27,843,140
PLAN FIDUCIARY NET POSITION:						
Total pension liability - end (a)	\$ 37,984,353	\$ 36,392,656	\$ 34,734,430	\$ 32,937,803	\$ 30,097,040	\$ 28,829,248
Contribution - employer	\$ 953,170	\$ 944,613	\$ 1,063,548	\$ 983,775	\$ 884,789	\$ 822,264
Contribution - member	370,519	365,308	362,182	350,968	334,737	291,847
Net investment income	548,595	1,888,916	2,355,477	1,722,031	199,105	1,828,686
Benefit payments, including refunds of employee contributions	(2,258,843)	(2,112,418)	(1,645,720)	(1,564,096)	(1,573,407)	(1,564,812)
Transfers among employees	(449,141)	317,095	22,388	(42,396)	480,153	(275,616)
Net change in plan fiduciary net position	(835,700)	1,403,514	2,157,875	1,450,282	325,377	1,102,369
Plan net position - beginning	22,056,502	20,652,988	18,495,113	17,044,831	16,719,454	15,617,085
Plan net position - end (b)	\$ 21,220,802	\$ 22,056,502	\$ 20,652,988	\$ 18,495,113	\$ 17,044,831	\$ 16,719,454
Net pension liability - ending (a) - (b)	\$ 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	55.87%	60.61%	59.46%	56.15%	56.63%	57.99%
Covered employee payroll*	\$ 10,936,068	\$ 10,177,758	\$ 7,076,595	\$ 7,107,229	\$ 6,438,733	\$ 5,870,735
Net pension liability as a percentage of covered employee payroll	153.29%	140.86%	198.99%	203.21%	202.71%	206.27%

* Employer's covered payroll during the measurement period is the covered payroll. For FY2020, the measurement period is October 1, 2018 - September 30, 2019.

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



Electric Systems

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution *	\$ 2,457,413	\$ 2,283,787	\$ 2,181,893	\$ 2,070,122	\$ 1,947,313	\$ 1,890,601
Contributions in relation to the actuarially determined contribution *	<u>2,457,413</u>	<u>2,283,787</u>	<u>2,181,893</u>	<u>2,070,122</u>	<u>1,947,313</u>	<u>1,890,601</u>
Contribution deficiency	-	-	-	-	-	-
Covered employee payroll **	\$ 25,633,846	\$ 24,141,580	\$ 11,424,043	\$ 11,425,176	\$ 10,519,400	\$ 10,518,022
Contributions as a percentage of covered employee payroll	9.59%	9.46%	20.23%	18.12%	16.83%	17.97%

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

** Employer's covered payroll for FY2020 is the total covered payroll for the 12 month period of the underlying financial statement. 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 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2019 to September 30, 2020*:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	27.1 years
Asset valuation method	Five years smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

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



Gas Systems

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution *	\$ 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 *	<u>2,832,902</u>	<u>969,879</u>	<u>2,546,158</u>	<u>2,664,475</u>	<u>2,746,903</u>	<u>2,746,903</u>
Contribution deficiency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered employee payroll **	\$ 8,157,308	\$ 7,739,953	\$ 26,518,350	\$ 26,520,532	\$ 24,318,743	\$ 22,247,041
Contributions as a percentage of covered employee payroll	34.73%	12.53%	9.87%	10.05%	10.54%	12.35%

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

** Employer's covered payroll for FY2020 is the total covered payroll for the 12 month period of the underlying financial statement.

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 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2019 to September 30, 2020*:

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	7.75%, net of pension plan investment expense, including inflation

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



Water Systems

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution *	\$ 1,029,209	\$ 986,800	\$ 944,369	\$ 1,030,584	\$ 983,774	\$ 822,264
Contributions in relation to the actuarially determined contribution *	<u>1,029,209</u>	<u>986,800</u>	<u>944,369</u>	<u>1,030,584</u>	<u>983,774</u>	<u>983,774</u>
Contribution deficiency	-	-	-	-	-	(161,510)
Covered employee payroll **	\$ 10,936,068	\$ 10,177,758	\$ 7,076,595	\$ 7,107,229	\$ 6,438,733	\$ 5,870,735
Contributions as a percentage of covered employee payroll	9.41%	9.70%	14.30%	14.56%	14.58%	14.01%

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

** Employer's covered payroll for FY2020 is the total covered payroll for the 12 month period of the underlying financial statement.

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 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2019 to September 30, 2020*:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	28.1 years
Asset valuation method	Five years smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

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



<u>Electric</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
TOTAL OPEB LIABILITY:				
Service Cost at end of year	\$ 493,076	\$ 704,430	\$ 821,371	\$ 963,912
Interest on the Total OPEB Liability	1,317,045	1,315,358	1,212,883	1,086,716
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	174,259	(2,122,639)	(148,055)	-
Changes of assumptions or other inputs	-	(3,395,650)	(3,023,047)	(3,730,502)
Benefit payments	(949,071)	(698,442)	(567,972)	(656,133)
Net change in total OPEB liability	1,035,309	(4,196,943)	(1,704,819)	(2,336,007)
Total OPEB liability - beginning	26,809,644	31,006,587	32,711,406	35,047,413
Total OPEB liability - end (a)	\$ 27,844,953	\$ 26,809,644	\$ 31,006,587	\$ 32,711,406
PLAN FIDUCIARY NET POSITION:				
Contribution - employer	\$ 2,278,959	\$ 2,897,734	\$ 1,911,402	\$ 1,151,726
Contribution - non-employer	-	-	-	-
Contribution - active member	-	-	-	-
Net investment income	309,077	183,871	62,911	(1,767)
Benefit payments	(949,071)	(698,442)	(567,972)	(656,133)
Administrative expense	(26,811)	(24,106)	(19,814)	-
Other	-	-	(13,752)	-
Net change in plan fiduciary net position	1,612,153	2,359,057	1,372,776	493,826
Plan net position - beginning	8,796,949	6,437,893	5,065,118	4,571,291
Plan net position - end (b)	\$ 10,409,102	\$ 8,796,950	\$ 6,437,893	\$ 5,065,118
Net OPEB liability - ending (a) - (b)	\$ 17,435,851	\$ 18,012,694	\$ 24,568,694	\$ 27,646,288
<u>Electric</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability	\$ 27,844,953	\$ 26,809,644	\$ 31,006,587	\$ 32,711,406
Plan Fiduciary Net Position	10,409,102	8,796,950	6,437,893	5,065,118
Net OPEB Liability	17,435,851	18,012,694	24,568,694	27,646,288
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	37.38%	32.81%	20.76%	15.48%
Covered Payroll	24,428,733	23,335,935	22,623,982	22,101,816
Net OPEB Liability as a percentage of covered payroll	71.37%	77.19%	108.60%	125.09%

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



<u>Gas</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
TOTAL OPEB LIABILITY:				
Service Cost at end of year	\$ 250,365	\$ 357,682	\$ 417,061	\$ 489,438
Interest on the Total OPEB Liability	668,745	667,889	615,856	551,793
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	88,482	(1,077,795)	(75,177)	-
Changes of assumptions or other inputs	-	(1,724,181)	(1,534,988)	(1,894,206)
Benefit payments	<u>(481,902)</u>	<u>(354,642)</u>	<u>(288,394)</u>	<u>(333,159)</u>
Net change in total OPEB liability	525,690	(2,131,047)	(865,642)	(1,186,135)
Total OPEB liability - beginning	<u>13,612,914</u>	<u>15,743,962</u>	<u>16,609,605</u>	<u>17,795,740</u>
Total OPEB liability - end (a)	<u>\$ 14,138,604</u>	<u>\$ 13,612,915</u>	<u>\$ 15,743,963</u>	<u>\$ 16,609,605</u>
PLAN FIDUCIARY NET POSITION:				
Contribution - employer	\$ 1,157,168	\$ 1,471,359	\$ 970,537	\$ 584,803
Contribution - non-employer	-	-	-	-
Contribution - active member	-	-	-	-
Net investment income	156,937	93,363	31,944	(897)
Benefit payments	(481,902)	(354,642)	(288,394)	(333,159)
Administrative expense	(13,614)	(12,240)	(10,061)	-
Other	-	-	(6,983)	-
Net change in plan fiduciary net position	818,590	1,197,840	697,043	250,746
Plan net position - beginning	<u>4,466,755</u>	<u>3,268,917</u>	<u>2,571,874</u>	<u>2,321,128</u>
Plan net position - end (b)	<u>\$ 5,285,345</u>	<u>\$ 4,466,757</u>	<u>\$ 3,268,917</u>	<u>\$ 2,571,874</u>
Net OPEB liability - ending (a) - (b)	\$ 8,853,259	\$ 9,146,158	\$ 12,475,046	\$ 14,037,731
<u>Gas</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability	\$ 14,138,604	\$ 13,612,915	\$ 15,743,963	\$ 16,609,605
Plan Fiduciary Net Position	<u>5,285,345</u>	<u>4,466,757</u>	<u>3,268,917</u>	<u>2,571,874</u>
Net OPEB Liability	8,853,259	9,146,158	12,475,046	14,037,731
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	37.38%	32.81%	20.76%	15.48%
Covered Payroll	12,403,979	11,849,098	11,487,595	11,222,460
Net OPEB Liability as a percentage of covered payroll	71.37%	77.19%	108.60%	125.09%

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



<u>Water</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
TOTAL OPEB LIABILITY:				
Service Cost at end of year	\$ 225,464	\$ 322,108	\$ 375,581	\$ 440,759
Interest on the Total OPEB Liability	602,233	601,462	554,604	496,913
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	79,682	(970,599)	(67,700)	-
Changes of assumptions or other inputs	-	(1,552,697)	(1,382,321)	(1,705,812)
Benefit payments	(433,973)	(319,370)	(259,711)	(300,024)
Net change in total OPEB liability	473,406	(1,919,096)	(779,547)	(1,068,165)
Total OPEB liability - beginning	12,258,998	14,178,095	14,957,643	16,025,808
Total OPEB liability - end (a)	<u>\$ 12,732,404</u>	<u>\$ 12,258,999</u>	<u>\$ 14,178,097</u>	<u>\$ 14,957,643</u>
PLAN FIDUCIARY NET POSITION:				
Contribution - employer	\$ 1,042,078	\$ 1,325,020	\$ 874,009	\$ 526,639
Contribution - non-employer	-	-	-	-
Contribution - active member	-	-	-	-
Net investment income	141,329	84,077	28,767	(808)
Benefit payments	(433,973)	(319,370)	(259,711)	(300,024)
Administrative expense	(12,260)	(11,023)	(9,060)	-
Other	-	-	(6,288)	-
Net change in plan fiduciary net position	737,174	1,078,704	627,716	225,807
Plan net position - beginning	4,022,500	2,943,796	2,316,080	2,090,272
Plan net position - end (b)	<u>\$ 4,759,674</u>	<u>\$ 4,022,500</u>	<u>\$ 2,943,796</u>	<u>\$ 2,316,080</u>
Net OPEB liability - ending (a) - (b)	\$ 7,972,730	\$ 8,236,499	\$ 11,234,300	\$ 12,641,564
Water				
Total OPEB Liability	\$ 12,732,404	\$ 12,258,999	\$ 14,178,097	\$ 14,957,643
Plan Fiduciary Net Position	<u>4,759,674</u>	<u>4,022,500</u>	<u>2,943,796</u>	<u>2,316,080</u>
Net OPEB Liability	7,972,730	8,236,499	11,234,300	12,641,564
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	37.38%	32.81%	20.76%	15.48%
Covered Payroll	11,170,302	10,670,608	10,345,060	10,106,294
Net OPEB Liability as a percentage of covered payroll	71.37%	77.19%	108.60%	125.09%

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



<u>Electric</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially Determined Contribution	\$ 1,717,709	\$ 1,792,875	\$ 1,792,875	\$ 1,792,875
Contributions in relation to the Actuarially Determined Contribution	<u>2,278,959</u>	<u>2,897,734</u>	<u>1,911,402</u>	<u>1,151,726</u>
Annual contribution deficiency (excess)	(561,250)	(1,104,859)	(118,527)	641,149
Covered Payroll	24,428,733	23,335,935	22,623,982	22,101,816
Actual contributions as a percentage of covered payroll	9.33%	12.42%	8.45%	5.21%
<u>Gas</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially Determined Contribution	\$ 872,187	\$ 910,354	\$ 910,354	\$ 910,354
Contributions in relation to the Actuarially Determined Contribution	<u>1,157,168</u>	<u>1,471,359</u>	<u>970,537</u>	<u>584,803</u>
Annual contribution deficiency (excess)	(284,981)	(561,005)	(60,183)	325,551
Covered Payroll	12,403,979	11,849,098	11,487,595	11,222,460
Actual contributions as a percentage of covered payroll	9.33%	12.42%	8.45%	5.21%
<u>Water</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially Determined Contribution	\$ 785,441	\$ 819,811	\$ 819,811	\$ 819,811
Contributions in relation to the Actuarially Determined Contribution	<u>1,042,078</u>	<u>1,325,020</u>	<u>874,009</u>	<u>526,639</u>
Annual contribution deficiency (excess)	(256,638)	(505,209)	(54,198)	293,172
Covered Payroll	11,170,302	10,670,608	10,345,060	10,106,294
Actual contributions as a percentage of covered payroll	9.33%	12.42%	8.45%	5.21%

City of Huntsville Electric, Natural Gas, and Water Systems
Other Supplementary Information
Unaudited - Statistical Highlights – Electric Systems



STATISTICAL HIGHLIGHTS-ELECTRIC SYSTEM
 Years Ending September 30

CATEGORIES	2020	2019	2018
OPERATING REVENUE			
Residential	\$ 252,901,003	\$ 262,073,009	\$ 260,774,819
Large Commercial and Industrial	192,138,939	203,600,012	200,216,020
Small Commercial	39,767,463	42,286,445	42,397,969
Public Street and Highway Lighting	5,059,544	5,111,686	4,777,392
Other Operating Revenue	20,868,136	20,190,347	17,256,557
Total Operating Revenue	\$ 510,735,085	\$ 533,261,499	\$ 525,422,757
CUSTOMERS			
Residential	172,391	168,699	164,945
Large Commercial and Industrial	2,876	2,894	2,938
Small Commercial	19,245	18,992	18,569
Public Street and Highway Lighting	715	663	653
Total Customers	195,227	191,248	187,105
KWH SALES (THOUSANDS)			
Residential	2,528,245	2,560,331	2,567,626
Large Commercial and Industrial	2,128,807	2,247,785	2,283,507
Small Commercial	359,651	378,182	375,896
Public Street and Highway Lighting	36,727	37,937	34,300
Total KWH Sales (Thousands)	5,053,430	5,224,235	5,261,329
OPERATING REVENUE/CUSTOMER			
Residential	\$ 1,467.02	\$ 1,553.49	\$ 1,580.98
Large Commercial and Industrial	66,807.70	70,352.46	68,147.05
Small Commercial	2,066.38	2,226.54	2,283.27
Public Street and Highway Lighting	7,076.29	7,709.93	7,316.07
OPERATING REVENUE/KWH			
Residential	\$ 0.100	\$ 0.102	\$ 0.102
Large Commercial and Industrial	0.090	0.091	0.088
Small Commercial	0.111	0.112	0.113
Public Street and Highway Lighting	0.138	0.135	0.139
KWH/CUSTOMER			
Residential	14,665.76	15,176.92	15,566.56
Large Commercial and Industrial	740,197.15	776,705.25	777,231.79
Small Commercial	18,688.02	19,912.70	20,243.20
Public Street and Highway Lighting	51,366.43	57,220.21	52,526.80
OPERATING REVENUE			
Residential	49.5%	49.1%	49.6%
Large Commercial and Industrial	37.6%	38.2%	38.1%
Small Commercial	7.8%	7.9%	8.1%
Public Street and Highway Lighting	1.0%	1.0%	0.9%
Other Operating Revenue	4.1%	3.8%	3.3%
CUSTOMERS			
Residential	88.3%	88.2%	88.2%
Large Commercial and Industrial	1.5%	1.5%	1.6%
Small Commercial	9.9%	9.9%	9.9%
Public Street and Highway Lighting	0.4%	0.3%	0.3%
Percentage of kWh Sold			
Residential	50.0%	49.0%	48.8%
Large Commercial and Industrial	42.1%	43.0%	43.4%
Small Commercial	7.1%	7.2%	7.1%
Public Street and Highway Lighting	0.7%	0.7%	0.7%

City of Huntsville Electric, Natural Gas, and Water Systems
Other Supplementary Information
Unaudited - Statistical Highlights – Electric Systems



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	
HUNTSVILLE CITY GSD	\$ 2,954,070	ENTERTAINMENT SERVICES	37,529,913 KWH
MAD CO BD OF ED	\$ 2,938,501	BOEING COMPANY	37,325,002 KWH
		BASF CATALYSTS LLC	35,671,649 KWH

2019

Top 10 by Revenue		Top 10 by Consumption	
HUNTSVILLE HOSPITAL	\$ 8,933,267	HUNTSVILLE HOSPITAL	100,675,112 KWH
HUNTSVILLE SCHOOLS	\$ 6,003,648	TMMAL	63,966,990 KWH
TMMAL	\$ 4,447,729	HUNTSVILLE SCHOOLS	61,349,151 KWH
HUNTSVILLE UTILITIES	\$ 4,120,590	TECHNICOLOR HOME	
WAL MART STORES EAST	\$ 3,941,692	ENTERTAINMENT SERVICES	55,912,341 KWH
KENNAMETAL INC	\$ 3,677,540	SAINT GOBAIN CERAMIC	55,829,982 KWH
TECHNICOLOR HOME ENTERTAINMENT SERVICES	\$ 3,545,495.33	KENNAMETAL INC	46,093,661 KWH
ALABAMA A&M UNIV	\$ 3,424,163	WAL MART STORES EAST	44,915,991 KWH
MAD CO BD OF ED	\$ 3,346,487	HUNTSVILLE UTILITIES	43,926,073 KWH
HUNTSVILLE CITY ENG	\$ 3,184,185	BOEING COMPANY	39,463,391 KWH
		PPG INDUSTRIES INC WKS #22	39,176,199 KWH

2018

Top 10 by Revenue		Top 10 by Consumption	
HUNTSVILLE HOSPITAL	\$ 8,518,543	HUNTSVILLE HOSPITAL	98,374,602 KWH
HUNTSVILLE SCHOOLS	\$ 5,868,568	TMMAL	76,489,585 KWH
TMMAL	\$ 5,256,469	SAINT GOBAIN CERAMIC	66,825,744 KWH
SAINT GOBAIN CERAMIC	\$ 3,939,776	HUNTSVILLE SCHOOLS	62,359,274 KWH
WAL MART STORES EAST	\$ 3,884,225	TECHNICOLOR HOME	
HUNTSVILLE UTILITIES	\$ 3,829,350	ENTERTAINMENT SERVICES	59,712,538 KWH
KENNAMETAL INC	\$ 3,795,747	KENNAMETAL INC	49,566,427 KWH
TECHNICOLOR HOME ENTERTAINMENT SERVICES	\$ 3,750,124	WAL MART STORES EAST	45,921,829 KWH
MAD CO BD OF ED	\$ 3,247,406	HUNTSVILLE UTILITIES	41,824,392 KWH
ALABAMA A&M UNIV	\$ 3,141,686	BASF CATALYSTS LLC	38,690,111 KWH
		BOEING COMPANY	36,547,597 KWH

City of Huntsville Electric, Natural Gas, and Water Systems
Other Supplementary Information
Unaudited - Statistical Highlights – Gas System



STATISTICAL HIGHLIGHTS-GAS SYSTEM
 Years Ending September 30

CATEGORIES	2020	2019	2018
OPERATING REVENUE			
Residential	\$ 21,376,756	\$ 21,432,988	\$ 20,882,355
Commercial	20,747,942	22,076,987	21,617,149
Industrial	1,969,058	2,025,905	2,100,922
Other Operating Revenue	3,497,720	3,479,662	3,548,204
Total Operating Revenue	\$ 47,591,476	\$ 49,015,542	\$ 48,148,630
CUSTOMERS			
Residential	52,072	50,988	49,266
Commercial	5,684	5,594	5,557
Industrial	4	14	16
Total Customers	57,760	56,596	54,839
MCF SALES			
Residential	1,992,066	1,829,033	1,877,024
Commercial	2,261,725	2,429,688	2,397,287
Industrial	356,688	288,082	302,966
Total MCF Sales	4,610,479	4,546,803	4,577,277
OPERATING REVENUE/CUSTOMER			
Residential	\$ 410.52	\$ 420.35	\$ 423.87
Commercial	3,650.24	3,946.55	3,890.08
Industrial	492,264.50	144,707.50	131,307.62
OPERATING REVENUE/MCF			
Residential	\$ 10.731	\$ 11.718	\$ 11.125
Commercial	\$ 9.174	\$ 9.086	\$ 9.017
Industrial	\$ 5.520	\$ 7.032	\$ 6.935
MCF/CUSTOMER			
Residential	38.26	35.87	38.10
Commercial	397.91	434.34	431.40
Industrial	89,172.00	20,577.29	18,935.38
OPERATING REVENUE %			
Residential	44.9%	43.7%	43.4%
Commercial	43.6%	45.0%	44.9%
Industrial	4.1%	4.1%	4.4%
Other Operating Revenue	7.3%	7.1%	7.4%
Total Operating Revenue	100.0%	100.0%	100.0%
CUSTOMERS %			
Residential	90.15%	90.09%	89.84%
Commercial	9.84%	9.88%	10.13%
Industrial	0.01%	0.02%	0.03%
Total Customers	100.00%	100.00%	100.00%

City of Huntsville Electric, Natural Gas, and Water Systems
Other Supplementary Information
Unaudited - Statistical Highlights – Gas System



STATISTICAL HIGHLIGHTS-GAS DIVISION
 Years Ending September 30

2020

<u>Top 10 by Revenue</u>		<u>Top 10 by Consumption</u>	
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 SERVICES INC	110,317,600 CUF
INTERNATIONAL PAPER COMPANY/ADVI	\$ 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

2019

<u>Top 10 by Revenue</u>		<u>Top 10 by Consumption</u>	
HUNTSVILLE SCHOOLS	\$ 958,008	UNITED STATES ARMY	351,971,600 CUF
POLARIS INDUSTRIES INC	\$ 858,847	HUNTSVILLE HOSPITAL	231,936,000 CUF
HUNTSVILLE CITY GSD	\$ 692,335	NORRIS CYLINDER COMPANY INC	215,733,000 CUF
REMINGTON ARMS COMPANY LLC	\$ 544,831	KOHLER CO	174,770,600 CUF
ALABAMA A&M UNIV	\$ 516,280	HUNTSVILLE SCHOOLS	110,575,100 CUF
UNITED STATES ARMY	\$ 509,049	UNITED STATES ARMY	108,913,000 CUF
BASF CATALYSTS LLC	\$ 485,696	POLARIS INDUSTRIES INC	104,965,500 CUF
HUNTSVILLE HOSPITAL	\$ 472,275	REED CONTRACTING SERVICES INC	90,221,500 CUF
INTERNATIONAL PAPER COMPANY/ADVI	\$ 441,682	HUNTSVILLE CITY GSD	79,381,200 CUF
HEALTH GROUP OF ALABAMA DBA CE	\$ 307,672	REMINGTON ARMS COMPANY LLC	66,693,000 CUF

2018

<u>Top 10 by Revenue</u>		<u>Top 10 by Consumption</u>	
HUNTSVILLE SCHOOLS	\$ 960,147	UNITED STATES ARMY	346,378,000 CUF
POLARIS INDUSTRIES INC	\$ 843,422	BASF CATALYSTS LLC	335,460,000 CUF
HUNTSVILLE CITY GSD	\$ 705,637	HUNTSVILLE HOSPITAL	249,796,700 CUF
VINTAGE PHARMACEUTICALS LLC	\$ 482,345	NORRIS CYLINDER COMPANY INC	220,226,000 CUF
HUNTSVILLE HOSPITAL	\$ 465,173	HUNTSVILLE SCHOOLS	111,749,400 CUF
REMINGTON ARMS COMPANY LLC	\$ 447,909	POLARIS INDUSTRIES INC	103,190,400 CUF
UNITED STATES ARMY	\$ 429,502	HUNTSVILLE CITY GSD	81,951,900 CUF
ALABAMA A&M UNIV	\$ 400,083	REMINGTON ARMS COMPANY LLC	59,454,000 CUF
INTERNATIONAL PAPER COMPANY	\$ 383,579	VINTAGE PHARMACEUTICALS LLC	58,823,300 CUF
BASF CATALYSTS LLC	\$ 360,633	INTERNATIONAL PAPER COMPANY	54,487,000 CUF

City of Huntsville Electric, Natural Gas, and Water Systems
Other Supplementary Information
Unaudited - Statistical Highlights – Water System



STATISTICAL HIGHLIGHTS-WATER SYSTEM
 Years Ending September 30

CATEGORIES	2020	2019	2018
OPERATING REVENUE			
Residential	\$ 25,748,041	\$ 25,688,962	\$ 24,805,904
Commercial	12,832,180	12,964,076	12,361,612
Industrial	1,894,495	1,961,713	2,001,883
Government	2,616,476	2,646,627	2,586,136
Other	657,108	640,346	591,180
Fire Hydrants	1,618,465	1,570,843	1,550,673
Other Operating Revenue	1,141,835	1,343,693	1,250,982
Total Operating Revenue	\$ 46,508,600	\$ 46,816,260	\$ 45,148,370
CUSTOMERS			
Residential	90,935	89,313	86,813
Commercial	10,793	10,604	10,289
Industrial	55	56	57
Government	19	20	21
Other	10	11	9
Total Customers	101,812	100,004	97,189
METERED WATER GALLONS (THOUSAND)			
Residential	5,617,126	5,489,112	5,217,553
Commercial	3,332,893	3,427,835	3,247,143
Industrial	969,742	994,563	1,014,388
Government	1,523,913	1,547,155	1,501,700
Other	305,131	303,110	262,714
Total Sales Gallons (Thousands)	11,748,805	11,761,775	11,243,498
OPERATING REVENUE/CUSTOMER			
Residential	\$ 283.15	\$ 287.63	\$ 285.74
Commercial	1,188.94	1,222.56	1,201.44
Industrial	34,445.36	35,030.59	35,120.76
Government	137,709.26	132,331.35	123,149.31
Other	65,710.80	58,213.27	65,686.69
OPERATING REVENUE/ THOUSAND GALLONS			
Residential	\$ 4.584	\$ 4.680	\$ 4.754
Commercial	3.850	3.782	3.807
Industrial	1.954	1.972	1.973
Government	1.717	1.711	1.722
Other	2.154	2.113	2.250
THOUSAND GALLONS/CUSTOMER			
Residential	61.77	61.46	60.10
Commercial	308.80	323.26	315.59
Industrial	17,631.67	17,760.05	17,796.28
Government	80,205.95	77,357.75	71,509.52
Other	30,513.10	27,555.45	29,190.44

City of Huntsville Electric, Natural Gas, and Water Systems
Other Supplementary Information
Unaudited - Statistical Highlights – Water System



OPERATING REVENUE %

Residential	55.4%	54.9%	54.9%	55.2%	54.2%
Commercial	27.6%	27.7%	27.4%	27.8%	28.0%
Industrial	4.1%	4.2%	4.4%	4.7%	5.0%
Government	5.6%	5.7%	5.7%	5.4%	5.6%
Other	1.4%	1.4%	1.3%	1.1%	1.3%
Fire Hydrants	3.5%	3.4%	3.4%	3.2%	3.3%
Other Operating Revenue	2.5%	2.9%	2.8%	2.6%	2.7%
Total Operating Revenue					

CUSTOMERS %

Residential	89.32%	89.31%	89.32%	89.27%	89.10%
Commercial	10.60%	10.60%	10.59%	10.64%	10.79%
Industrial	0.05%	0.06%	0.06%	0.06%	0.07%
Government	0.02%	0.02%	0.02%	0.03%	0.03%
Other	0.01%	0.01%	0.01%	0.01%	0.01%
Total Customers	100.00%	100.00%	100.00%	100.00%	100.00%

City of Huntsville Electric, Natural Gas, and Water Systems
Other Supplementary Information
Unaudited - Statistical Highlights – Water System



STATISTICAL HIGHLIGHTS-WATER
 Years Ending September 30

Top 10 by Revenue		2020		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 OF CITY OF HUNTSVILLE	\$ 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 OF CITY OF HUNTSVILLE	110,069,700	GAL	
COVANTA HUNTSVILLE INC	\$ 221,090	OAKWOOD UNIVERSITY	82,331,300	GAL	

Top 10 by Revenue		2019		Top 10 by Consumption	
UNITED STATES ARMY	\$ 1,343,806	UNITED STATES ARMY	784,508,400	GAL	
MADISON CO COMM S2WD	\$ 1,318,622	MADISON CO COMM S2WD	763,912,100	GAL	
HUNTSVILLE CITY GSD	\$ 739,705	HUNTSVILLE CITY GSD	203,557,341	GAL	
HUNTSVILLE HOSPITAL	\$ 431,840	HUNTSVILLE HOSPITAL	163,357,900	GAL	
HOUSING AUTHORITY OF CITY OF HUNTSVILLE	\$ 430,746	NEW HOPE TOWN OF	149,623,000	GAL	
HUNTSVILLE SCHOOLS	\$ 375,853	ALABAMA A&M UNIV	144,241,800	GAL	
ALABAMA A&M UNIV	\$ 309,550	COVANTA HUNTSVILLE INC	124,350,500	GAL	
NEW HOPE TOWN OF	\$ 306,171	HOUSING AUTHORITY OF CITY OF HUNTSVILLE	115,382,400	GAL	
IMI HUNTSVILLE LLC	\$ 241,830	TRIANA TOWN OF	114,323,000	GAL	
TRIANA TOWN OF	\$ 228,819	OAKWOOD UNIVERSITY	87,909,000	GAL	

Top 10 by Revenue		2018		Top 10 by Consumption	
UNITED STATES ARMY	\$ 1,314,449	UNITED STATES ARMY	765,894,800	GAL	
MADISON CO COMM S2WD	\$ 1,286,604	MADISON CO COMM S2WD	738,073,900	GAL	
HUNTSVILLE CITY GSD	\$ 714,959	HUNTSVILLE CITY GSD	193,735,490	GAL	
HUNTSVILLE HOSPITAL	\$ 435,424	HUNTSVILLE HOSPITAL	170,403,000	GAL	
HOUSING AUTHORITY OF CITY OF HUNTSVILLE	\$ 425,213	ALABAMA A&M UNIV	155,090,900	GAL	
HUNTSVILLE SCHOOLS	\$ 394,681	NEW HOPE TOWN OF	150,617,000	GAL	
ALABAMA A&M UNIV	\$ 325,104	COVANTA HUNTSVILLE INC	115,846,700	GAL	
NEW HOPE TOWN OF	\$ 304,304	HOUSING AUTHORITY OF CITY OF HUNTSVILLE	112,391,900	GAL	
IMI HUNTSVILLE LLC	\$ 259,798	TRIANA TOWN OF	103,946,000	GAL	
TRIANA TOWN OF	\$ 208,480	HUNTSVILLE SCHOOLS	92,172,300	GAL	



Water Systems

A. Annual Average and Peak Day Production Huntsville Groundwater Sources

Average Day Production (mgd)	8.0
Percentage of Estimated Safe Capacity (80% = 10.8 mgd)	59%
Peak Day Production (mgd)	9.0
Percentage of Estimated Safe Capacity (80% = 10.8 mgd)	67%

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

Average Day Production (mgd)	43.7
Percentage of Estimated Safe Capacity (80% = 96.0 mgd)	36%
Peak Day Production (mgd)	73.7
Percentage of Estimated Safe Capacity (80% = 96.0 mgd)	61%
Plant Capacity	133.5

C. Additional Operating Data

Number of Water System Customers	101,812
Sales (Gallons)	11,748,805
Sales (Dollars)	44,148,014



Electric Systems

A. Debt Service Requirements for Electric Revenue Warrants

See Note 4 for Electric Revenue Warrants

B. Operating and Maintenance Cost 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 fiscal year ended September 30, 2020, data for the trailing twelve months ended March 2020.

1. O&M Cost Per Average Customer

	Dollar Amount
Huntsville Utilities	\$284
Similar Distributors	\$423
Neighboring Distributors	\$283
All TVA Distributors	\$404
All Municipals	\$412
All Cooperatives	\$387

* - The June 30, 2020 Quarterly Report is not complete, therefore, these totals are March 2020 totals.

2. O&M Cost Per 1,000 kWh Sold

	Dollar Amount
Huntsville Utilities	\$10
Similar Distributors	\$16
Neighboring Distributors	\$11
All TVA Distributors	\$15
All Municipals	\$14
All Cooperatives	\$17

* - The June 30, 2020 Quarterly Report is not complete, therefore, these totals are March 2020 totals.

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

Unaudited Information for Year Ended September 30, 2020



C. 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	\$0.10
Average Revenue per Kilowatt Hour - Commercial 1,000 kW or less	\$0.11
Average Revenue per Kilowatt Hour - Industrial greater than 1,000 kW	\$0.09



I. Water System

A. Number and Type of Customers

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

Customer Type	Number
Residential	90,935
Commercial	10,793
Industrial	55
Governmental	19
Other	<u>10</u>
Total	101,812

B. Additional Operating Data

Number of Water System Customers	100,004
Sales (Gallons)	11,748,805
Sales (Dollars)	\$44,148,014

II. Electric System

A. Debt Service Requirements for Electric Revenue Warrants

See note 4 for Electric Revenue Warrants.



B. Operating Results from Electric System

The following provides the Electric System's operating results for the fiscal year ended September 30, 2020, and the resulting Annual Net Income for such fiscal year:

Operating Revenues	
Residential	\$252,901,003
Large commercial and industrial	\$192,138,939
Small commercial	\$ 39,767,463
Public street and highway lighting	\$ 5,059,544
Other operating revenue	\$ 20,868,136
Total Operating Revenues	\$510,735,085
Operating Expenses	
Purchased power	\$392,788,033
Transmission	\$ 281,692
Distribution	\$ 24,673,420
Customer accounting	\$ 6,002,458
Administrative and general	\$ 23,421,533
Depreciation	\$ 24,472,479
Payroll taxes	\$ 1,856,455
Total Operating Expenses	\$473,496,039
Operating Income	\$ 37,239,046
Non-Operating Revenues (Expenses)	
Gain on sale of assets	\$ (15,538)
Interest income	\$ (569,761)
Interest expense ⁽¹⁾	\$ 4,382,305
Amortization of bond discount	\$ 26,906
Amortization of bond premium	\$ (796,759)
Total Non-Operating Revenues (Expenses)	\$ 3,027,153
Income Before Transfers	\$ 34,211,892
Transfers Out – Tax Equivalentts	\$ 15,437,942
Change in Net Assets	\$ 18,773,951
Add: Depreciation	\$ 24,472,479
Add: Tax equivalent payments	\$ 15,437,942
Add: Interest expense ⁽¹⁾	\$ 4,382,305
Add: Amortization of bond discount	\$ 796,759
Annual Net Income	\$ 60,863,436



C. Customers and Sales

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, 2020, have been as follows:

Customers	Residential kWh Sold	Revenue	Customers	50kWh and Under Sold	Revenue
172,391	2,528,245,231	\$252,901,003	19,245	359,650,869	\$39,767,463

Customers	Over 50 kWh Sold	Revenue	Customers	Other Outdoor Lighting kWh Sold	Revenue
2,876	2,128,806,698	\$192,138,939	715	36,727,268	\$5,059,544

	Total kWh	
Customers	Sold	Revenue
195,227	5,053,430,066	\$489,866,949

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, 2020, have been as follows:

Percentage of Customers	
Residential	88%
Commercial	10%
Other	2%
Total	100%
Percentage of kWh Sold	
Residential	50%
Commercial	7%
Other	43%
Total	100%
Percentage of Revenue	
Residential	52%
Commercial	8%
Other	40%
Total	100%



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	\$8,835,377	\$ 8,835,377	100%	1.80%	99,680,400	1.97%
HUNTSVILLE SCHOOLS	\$5,496,573	\$ 5,496,573	100%	1.12%	59,711,827	1.18%
HUNTSVILLE UTILITIES	\$4,186,911	\$ 4,186,911	100%	0.85%	56,133,153	1.11%
TMMAL	\$4,105,864	\$ 4,105,864	100%	0.84%	49,691,296	0.98%
WAL MART STORES EAST	\$3,753,859	\$ 3,753,859	100%	0.77%	44,451,216	0.88%
KENNAMETAL INC	\$3,140,054	\$ 3,140,054	100%	0.64%	42,719,857	0.85%
HUNTSVILLE CITY ENG SAINT GOBAIN CERAMIC	\$3,117,899	\$ 3,117,899	100%	0.64%	38,940,326	0.77%
HUNTSVILLE CITY GSD	\$3,108,105	\$ 3,108,105	100%	0.63%	37,529,913	0.74%
MAD CO BD OF ED	\$2,954,070	\$ 2,954,070	100%	0.60%	37,325,002	0.74%
	\$2,938,501	\$ 2,938,501	100%	0.60%	35,671,649	0.71%