



HUNTSVILLE UTILITIES

ELECTRICITY • NATURAL GAS • WATER

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

***Component Unit
Financial Statements***

September 30, 2022

Prepared By Financial Services



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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type and fiduciary activities of the City of Huntsville Electric, Natural Gas, and Water Systems (the Utilities), component units of the City of Huntsville, Alabama, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Utilities basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Change in Accounting Principle

As discussed in Note 3 to the financial statements, in 2022, the Utilities adopted new accounting guidance related to leases. Our audit opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 13, the schedules of changes in the net pension liability and employer pension contributions on pages 76 through 81, and the schedules of changes in the net OPEB liability and employer OPEB contributions on pages 82 through 85 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

Management is responsible for the other information. The other information comprises the statistical highlights on pages 86 through 91 and operating information on pages 92 through 99 but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

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

A handwritten signature in black ink that reads "Jackson Thornton & Co. PC".

Montgomery, Alabama
February 17, 2023



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

System Highlights

All three utilities' capital projects continued to be impacted by delays in the supply chain and workforce shortages due to the residual effects of the COVID 19 pandemic.

Huntsville Utilities Water Department received the following 2022 Best Operated Plant/Distribution Award from the Alabama Water Pollution Control Association (AWPCA)

1. Best Operated Surface Water Plant 20.1-30 MG – Southeast
2. Best Operated Surface Water Plant 40.1-50 MG – Southwest
3. Best Operated Groundwater Plant > 100,000 – Lincoln – Dallas WTP
4. Best Operated Distribution System 50,001-100,000 Meters – Huntsville Utilities

In addition, the Water Department continued rehabilitations on the South Parkway Water Treatment Plant, first constructed in the 1960's, all for extending the useful life of the plant. Improvements are being made to the infrastructure for the water treatment process, renovations of the operator area and laboratory space, and updates to the latest computer architecture, hardware and software for operating controls.

Huntsville Utilities Electric Department attained the Diamond Status Reliable Public Power Provider (RP3) designation from American Public Power Association. The Electric Department Rodeo Team placed 1st at the Tennessee Valley Lineman's Rodeo and 3rd at the International Lineman's Rodeo. Huntsville Utilities Electric Department responded to two requests for mutual aid this year following storm events impacting Florida public utilities. Huntsville Utilities Electric Department received the Arbor Day Foundation Tree Line USA Utility Certification for 2022.

Huntsville Utilities Gas Department continued to replace cast iron piping throughout the city, reducing the number of leaks per year by 80% and the man hours spent on repairs by 500 hours. Additionally, the 2022 American Public Gas Association Safety Award was earned by the system with over 70,000 hours worked. 2022 is the third year of the Silver Level AGPA Systems Operational Achievement Recognition Award.

Huntsville Utilities successfully launched its new, redesigned website last December. This new site has a cleaner, more modern look, is easier to navigate, and has additional features, such as language translation and ADA compliance. Huntsville Utilities was also awarded the APPA award for marketing materials.

In 2022, CEO, Wes Kelley, was honored to receive the APPA Leadership and Management Excellence Award.

Huntsville Utilities continued to see customer growth in all three departments in FY22:

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

As of and for the year ending September 30, 2022



| | 2022 | 2021 | Growth % |
|-------------|---------|---------|----------|
| Electric | | | |
| Residential | 184,972 | 178,050 | 3.89% |
| Commercial | 23,732 | 23,163 | 2.46% |
| Gas | | | |
| Residential | 55,276 | 53,664 | 3.00% |
| Commercial | 5,907 | 5,754 | 2.66% |
| Water | | | |
| Residential | 94,006 | 92,530 | 1.60% |
| Commercial | 11,200 | 11,002 | 1.80% |

The electric department grew by 7,491 customers over prior year. The residential customer count increased 3.89% or 6,922 customers and commercial customer count increased by 569 or 2.46%.

The gas department grew by 1,765 customers during the twelve months ended September 30, 2022. Residential customers increased by 1,612 or 3%, while commercial customers increased by 153 or 2.66%

The water department experienced customer count growth of 1,674 over the prior year. Residential customer count increased by 1,476 or 1.6% and commercial customer count increased by 198 or 1.8%.

Overview of the Financial Statements

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

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

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

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

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

As of and for the year ending September 30, 2022



City of Huntsville Electric System

Table A-1

Condensed Statements of Net Position

(In Thousands)

| | 2022 | 2021 |
|---|-------------------|-------------------|
| Assets | | |
| Current and other assets | \$ 370,607 | \$ 185,688 |
| Capital assets, net | 374,118 | 366,594 |
| Total assets | 744,725 | 552,282 |
| Deferred Outflows of Resources | | |
| Deferred Pension, Debt Refunding, OPEB | 11,067 | 7,638 |
| Total Assets and Deferred Outflows of Resources | \$ 755,792 | \$ 559,920 |
| Liabilities | | |
| Current and other liabilities | 71,550 | 61,495 |
| Long-term liabilities | 165,998 | 175,474 |
| Total liabilities | 237,548 | 236,969 |
| Deferred Inflows of Resources | | |
| Deferred Pension, Debt Refunding, OPEB, Deferred Revenue from Leases | 146,591 | 7,598 |
| Net Position | 371,653 | 315,353 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 755,792 | \$ 559,920 |

2022 Compared to 2021:

As of September 30, 2022, the Electric System's total assets were \$756 million, an increase of 35.0%, compared to September 30, 2021. As of September 30, 2022, the Electric System's liabilities were \$238 million, an increase of 0.2% compared to September 30, 2021. As of September 30, 2022, the Electric System's net position was \$372 million, an increase of \$56 million or 17.9%, compared to September 30, 2021. This increase is due primarily to increase in Cash and Cash Equivalents and the recording of lease receivables due to the adoption of GASB87. Improved cash balance was the result of credits from the TVA long-term partnership agreement and pandemic relief credit and the substantial completion of several major capital initiatives, as well as cash received from the Inter-governmental Services Agreement with Redstone Arsenal (IGSA).

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

As of and for the year ending September 30, 2022



City of Huntsville Electric System

Table A-2

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

| | 2022 | 2021 |
|---------------------------------|-------------------|-------------------|
| Operating revenues | \$ 616,336 | \$ 539,257 |
| Non-operating revenues | 3,303 | 385 |
| Total revenues | 619,639 | 539,642 |
| Operating expense | 518,214 | 448,043 |
| Depreciation expense | 22,943 | 25,105 |
| Non-operating expense | 4,480 | 3,523 |
| Total expenses | 545,637 | 476,671 |
| Income before transfers | 74,002 | 62,972 |
| Transfers out - tax equivalents | (17,702) | (18,064) |
| Change in net position | 56,300 | 44,908 |
| Beginning net position | 315,353 | 270,445 |
| Ending net position | \$ 371,653 | \$ 315,353 |

2022 Compared to 2021:

As of September 30, 2022, the Electric System's total revenues were \$620 million, an increase of 14.8%, compared to September 30, 2021. This increase includes a 4.1% increase in consumption over prior year and step 4 of a 5-year planned increase in rates. It also includes increased customer rates due to fuel cost adjustments. Additional revenue from fiber rental and the IGSA contributed to the increase in revenues. The increase in non-operating revenues of 757% is due primarily to interest income on leases.

The Electric System's operating expenses were \$518 million, a 15.7% increase from the previous year primarily resulting from higher purchased commodity and distribution expenses.

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

As of and for the year ending September 30, 2022



City of Huntsville Gas System

Table A-1

Condensed Statements of Net Position

(In Thousands)

| | 2022 | 2021 |
|---|-------------------|-------------------|
| Assets | | |
| Current and other assets | \$ 47,917 | \$ 44,011 |
| Capital assets, net | 147,435 | 137,639 |
| Total assets | 195,352 | 181,650 |
| Deferred Outflows of Resources | | |
| Deferred Pension, Debt Refunding, OPEB | 13,380 | 10,271 |
| Total Assets and Deferred Outflows of Resources | \$ 208,732 | \$ 191,921 |
| Liabilities | | |
| Current and other liabilities | 10,983 | 5,932 |
| Long-term liabilities | 51,287 | 56,949 |
| Total liabilities | 62,270 | 62,881 |
| Deferred Inflows of Resources | | |
| Deferred Pension, Debt Refunding, OPEB | 8,844 | 3,606 |
| Net Position | 137,618 | 125,434 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 208,732 | \$ 191,921 |

2022 Compared to 2021:

As of September 30, 2022, the Gas System's total assets were \$209 million, an increase of 8.8%, compared to September 30, 2021. This is primarily due to an increase in capital assets of 7.1%. As of September 30, 2022, the Gas System's total liabilities were \$62 million, a decrease of 1.0%, compared to September 30, 2021. As of September 30, 2022, the Gas System's net position is \$138 million, an increase of 9.7%, compared to September 30, 2021. This is primarily due an increase in capital assets through expansion of the system with new customer connections.

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

As of and for the year ending September 30, 2022



City of Huntsville Gas System

Table A-2

Condensed Statement of Revenues, Expenses and Changes in Net Position

(In Thousands)

| | 2022 | 2021 |
|---------------------------------|-------------------|-------------------|
| Operating revenues | \$ 61,977 | \$ 55,523 |
| Non-operating revenues | 469 | 352 |
| Total revenues | 62,446 | 55,875 |
| Operating expense | 45,912 | 37,495 |
| Depreciation expense | 5,005 | 4,780 |
| Non-operating expense | 2,193 | 588 |
| Total expenses | 53,110 | 42,863 |
| Income before transfers | 9,336 | 13,012 |
| Capital contributions | 6,238 | 1,182 |
| Transfers out - tax equivalents | (3,390) | (3,066) |
| Change in net position | 12,184 | 11,128 |
| Beginning net position | 125,434 | 114,306 |
| Ending net position | \$ 137,618 | \$ 125,434 |

2022 Compared to 2021:

As of September 30, 2022, the Gas System's total revenues were \$62 million, an increase of 11.8%, compared to September 30, 2021. This is primarily due to an increase in residential and commercial revenue from a rate increase implemented in November 2021 and revenues from IGSA. As of September 30, 2022, the Gas System's expenses were \$53 million, up 23.9% compared to September 30, 2021, due primarily to an increase in purchased commodity.



City of Huntsville Water System

Table A-1

Condensed Statements of Net Position

(In Thousands)

| | 2022 | 2021 |
|---|-------------------|-------------------|
| Assets | | |
| Current and other assets | \$ 70,403 | \$ 78,774 |
| Capital assets, net | 322,874 | 301,424 |
| Total assets | 393,277 | 380,198 |
| Deferred Outflows of Resources | | |
| Deferred Pension, Debt Refunding, OPEB | 15,583 | 14,295 |
| Total Assets and Deferred Outflows of Resources | \$ 408,860 | \$ 394,493 |
| Liabilities | | |
| Current and other liabilities | 21,273 | 15,093 |
| Long-term liabilities | 138,533 | 140,377 |
| Total liabilities | 159,806 | 155,470 |
| Deferred Inflows of Resources | | |
| Deferred Pension, Debt Refunding, OPEB | 4,016 | 3,170 |
| Net Position | 245,038 | 235,853 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 408,860 | \$ 394,493 |

2022 Compared to 2021:

As of September 30, 2022, the Water System's total assets were \$409 million, an increase of 3.6%, compared to September 30, 2021. The increase is a result of a 7.1% increase in capital assets. As of September 30, 2022, the Water System's total liabilities were \$160 million, an increase of 2.8%, compared to September 30, 2021. This increase relates to an increase in long term liabilities for improvements in treatment plants and distribution improvements in serving the Limestone County area. As of September 30, 2022, the Water System's net position is \$245 million, an increase of 3.9%, compared to September 30, 2021.



City of Huntsville Water System

Table A-2

Condensed Statement of Revenues, Expenses and Changes in Net Position

(In Thousands)

| | 2022 | 2021 |
|---------------------------------|-------------------|-------------------|
| Operating revenues | \$ 54,997 | \$ 49,131 |
| Non-operating revenues | 731 | 571 |
| Total revenues | 55,728 | 49,702 |
| Operating expense | 32,131 | 28,297 |
| Depreciation expense | 11,451 | 10,982 |
| Non-operating expense | 6,035 | 2,905 |
| Total expenses | 49,617 | 42,184 |
| Income before transfers | 6,111 | 7,518 |
| Capital contributions | 5,966 | 7,044 |
| Transfers out - tax equivalents | (2,892) | (2,743) |
| Change in net position | 9,185 | 11,819 |
| Beginning net position | 235,853 | 224,034 |
| Ending net position | \$ 245,038 | \$ 235,853 |

2022 Compared to 2021:

As of September 30, 2022, the Water System's total revenues were \$56 million, an increase of 12.1%, compared to September 30, 2021. Included in this increase is a 7.6% increase in gallons sold, increased commercial sales, increase in number of customers, and other operating income increasing from IGSA revenue. As of September 30, 2022, the Water System's expenses were \$50 million. An increase of 17.6% compared to September 30, 2021, due to an increase in costs in purification, pumping and administration expenses.

Wes Kelley, Chief Executive Officer

Melissa Marty, Chief Financial Officer



HUNTSVILLE UTILITIES

ELECTRICITY • NATURAL GAS • WATER

Component Unit Financial Statements and Required Supplementary Information

September 30, 2022

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

As of and for the year ending September 30, 2022



| <u>September 30, 2022</u> | <u>Electric</u> | <u>Gas</u> | <u>Water</u> |
|--|--------------------|--------------------|--------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 85,379,780 | \$ 8,122,831 | \$ 9,499,964 |
| Investments | 457,034 | 4,568,194 | 23,465,201 |
| Board designated funds | | | |
| Cash and cash equivalents | 6,298,257 | 2,369,803 | 1,461,096 |
| Investments | 14,675,500 | 12,245,092 | 8,116,672 |
| Restricted Funds | | | |
| Customer deposits | | | |
| Cash and cash equivalents | 7,391,831 | 629,642 | 977,927 |
| Investments | - | 211,977 | - |
| Accounts receivable - trade, net of allowance | 55,337,811 | 3,085,954 | 8,763,492 |
| Inventories - materials and supplies | 19,599,604 | 5,675,846 | 3,486,137 |
| Prepaid expenses | 17,535 | 21,276 | 37,925 |
| Accrued interest, rent and other receivables, net of allowance | 5,095,722 | 327,229 | 2,716,354 |
| Total current assets | 194,253,074 | 37,257,844 | 58,524,768 |
| Noncurrent assets | | | |
| Restricted noncurrent assets | | | |
| Customer deposits | | | |
| Cash and cash equivalents | 36,896,992 | - | 4,445,836 |
| Investments | - | 3,276,624 | - |
| Warrant funds | | | |
| Cash and cash equivalents | - | 1,797,856 | - |
| Investments | - | 281,933 | 6,882,484 |
| Total noncurrent assets | 36,896,992 | 5,356,413 | 11,328,320 |
| Other assets | | | |
| Regulatory asset - revenue warrant expense | 339,489 | - | 550,253 |
| Capital contribution receivable | - | 5,302,478 | - |
| Lease receivable | 139,116,532 | - | - |
| Total other assets | 139,456,021 | 5,302,478 | 550,253 |
| Utility Plant | | | |
| Plant in service | 750,926,072 | 225,825,870 | 470,762,907 |
| Construction in progress | 17,068,426 | 17,790,307 | 33,640,840 |
| Total utility plant | 767,994,498 | 243,616,177 | 504,403,747 |
| Less accumulated depreciation | (393,876,070) | (96,180,790) | (181,530,026) |
| Total utility plant, net | 374,118,428 | 147,435,387 | 322,873,721 |
| Total assets | 744,724,515 | 195,352,122 | 393,277,062 |
| Deferred Outflows of Resources | | | |
| Deferred amount on debt refunding | 475,003 | - | 4,675,959 |
| Excess consideration provided for acquisition | - | - | 5,178,646 |
| Deferred amount on OPEB | 2,114,635 | 942,626 | 971,267 |
| Deferred amount on pension | 8,477,241 | 12,436,992 | 4,757,169 |
| Total deferred outflows of resources | 11,066,879 | 13,379,618 | 15,583,041 |

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

As of and for the year ending September 30, 2022



| <i>September 30, 2022</i> | Electric | Gas | Water |
|--|--------------------|--------------------|--------------------|
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable - trade | \$ 47,252,539 | \$ 6,842,715 | \$ 3,689,690 |
| Accounts payable - other utility departments | 2,573,023 | - | 5,132,102 |
| Compensated absences | 3,740,616 | 1,015,452 | 1,479,955 |
| Accrued payroll | 1,680,319 | 482,539 | 775,553 |
| Customer deposits, current portion | 7,391,831 | 841,619 | 977,927 |
| Revenue warrants, current portion | 3,240,000 | 1,338,998 | 7,545,000 |
| Interest payable restricted | 1,141,200 | 9,734 | 1,009,787 |
| Other current liabilities | 4,530,632 | 451,809 | 663,317 |
| Total current liabilities | 71,550,160 | 10,982,866 | 21,273,331 |
| Noncurrent liabilities | | | |
| Net pension liability | 35,696,691 | 35,743,863 | 16,946,865 |
| Net OPEB liability | 18,830,764 | 8,394,605 | 8,649,750 |
| Customer deposits, less current portion | 36,896,992 | 3,276,624 | 4,445,836 |
| Revenue warrants, less current portion | 65,505,000 | 3,872,151 | 105,977,287 |
| Unamortized bond premium | 9,068,002 | - | 2,512,567 |
| Total noncurrent liabilities | 165,997,449 | 51,287,243 | 138,532,305 |
| Total liabilities | 237,547,609 | 62,270,109 | 159,805,636 |
| Deferred Inflows of Resources | | | |
| Deferred inflows related to pension | 3,562,691 | 6,673,812 | 1,780,300 |
| Deferred inflows related to OPEB | 4,868,386 | 2,170,145 | 2,236,083 |
| Deferred inflows related to leases | 138,159,414 | - | - |
| Total deferred inflows of resources | 146,590,491 | 8,843,957 | 4,016,383 |
| Net Position | | | |
| Net investment in capital assets | 297,119,917 | 142,435,387 | 212,065,080 |
| Restricted | - | - | 14,765,410 |
| Unrestricted | 74,533,377 | (4,817,713) | 18,207,594 |
| Total net position | 371,653,294 | 137,617,674 | 245,038,084 |

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, 2022



| <i>For the year ended September 30, 2022</i> | Electric | Gas | Water |
|--|-----------------------|-----------------------|-----------------------|
| Operating Revenues | | | |
| Residential | \$ 310,265,956 | \$ 25,378,685 | \$ 26,701,325 |
| Large commercial and industrial | 225,508,275 | 1,942,725 | 2,104,056 |
| Small commercial | 46,792,377 | 29,449,490 | 14,821,791 |
| Government sales | - | - | 2,869,056 |
| Public street and highway lighting | 5,861,314 | - | - |
| Other sales | 77,945 | (136,660) | 1,010,504 |
| Other operating revenue | 27,830,029 | 5,343,060 | 7,490,023 |
| Total operating revenues | 616,335,896 | 61,977,300 | 54,996,755 |
| Operating Expenses | | | |
| Purchased commodity | 461,618,064 | 29,562,340 | 64,267 |
| Purification | - | - | 3,376,917 |
| Pumping | - | - | 6,521,201 |
| Transmission | 196,085 | - | - |
| Distribution | 28,099,609 | 6,337,161 | 6,120,246 |
| Customer accounting | 4,032,635 | 1,856,703 | 3,547,730 |
| Administrative and general | 24,267,914 | 8,155,887 | 12,500,709 |
| Depreciation | 22,942,539 | 5,004,832 | 11,450,691 |
| Total operating expenses | 541,156,846 | 50,916,923 | 43,581,761 |
| Operating income (loss) | 75,179,050 | 11,060,377 | 11,414,994 |
| Nonoperating (Revenues) Expenses | | | |
| (Gain) Loss on sale of assets | (294,071) | (67,554) | (31,786) |
| Interest income | (3,009,035) | (401,575) | (699,022) |
| Interest expense | 3,834,573 | 223,668 | 3,443,077 |
| (Gain) Loss on investments | 1,726,433 | 1,969,369 | 3,335,091 |
| Amortization of bond discount | 26,906 | - | 63,221 |
| Amortization of bond premium | (1,107,368) | - | (806,687) |
| Total nonoperating (revenues) expenses | 1,177,438 | 1,723,908 | 5,303,894 |
| Income before contributions and transfers | 74,001,612 | 9,336,469 | 6,111,100 |
| Capital contributions | - | 6,237,735 | 5,966,271 |
| Transfers out - tax equivalent | (17,701,209) | (3,389,975) | (2,892,313) |
| Change in net position | 56,300,403 | 12,184,229 | 9,185,058 |
| Net position, beginning of year | 315,352,891 | 125,433,445 | 235,853,026 |
| Net position, end of year | \$ 371,653,294 | \$ 137,617,674 | \$ 245,038,084 |

City of Huntsville Electric, Natural Gas, and Water Systems
Statements of Cash Flows
Year Ending September 30, 2022



| <i>For the year ended September 30, 2022</i> | Electric | Gas | Water |
|---|----------------|---------------|---------------|
| Operating Activities | | | |
| Received from customers | \$ 616,014,742 | \$ 61,697,017 | \$ 54,437,105 |
| Paid to suppliers for goods and services | (494,517,818) | (33,963,899) | (16,213,288) |
| Paid to employees for salaries and wages | (33,184,500) | (10,911,952) | (15,707,868) |
| Net cash provided by operating activities | 88,312,424 | 16,821,166 | 22,515,949 |
| Noncapital Financing Activities | | | |
| Transfers out - tax equivalent | (17,701,209) | (3,389,975) | (2,892,313) |
| Net cash used in noncapital financing activities | (17,701,209) | (3,389,975) | (2,892,313) |
| Capital and Related Financing Activities | | | |
| Payment of principal on long-term debt | (3,090,000) | (1,429,585) | (5,285,000) |
| Issuance of long-term debt | - | - | 6,822,287 |
| Additions to plant in service | (30,172,811) | (14,733,855) | (32,868,400) |
| Capital contributions | - | 935,257 | 5,966,271 |
| Interest expense | (3,834,571) | (223,668) | (3,443,076) |
| Net cash used in capital and related financing activities | (37,097,382) | (15,451,851) | (28,807,918) |
| Investing Activities | | | |
| Proceeds from (purchase of) investment securities | (774,233) | 2,312,213 | 90,469 |
| Principal payments from leases | 5,277,985 | | |
| Interest income earned on investments | 3,009,035 | 401,575 | 699,022 |
| Net cash provided by (used in) investing activities | 7,512,787 | 2,713,788 | 789,491 |
| Net increase in cash and cash equivalents | 41,026,620 | 693,128 | (8,394,791) |
| Cash and cash equivalents, beginning of year | 94,940,240 | 12,227,004 | 24,779,614 |
| Cash and cash equivalents, end of year | \$ 135,966,860 | \$ 12,920,132 | \$ 16,384,823 |
| Reconciliation of Cash and Cash Equivalents to the Statement of Net Position | | | |
| Cash and cash equivalents, current assets | \$ 99,069,868 | \$ 11,122,276 | \$ 11,938,987 |
| Cash and cash equivalents, noncurrent assets | 36,896,992 | 1,797,856 | 4,445,836 |
| Cash and cash equivalents, end of year | \$ 135,966,860 | \$ 12,920,132 | \$ 16,384,823 |

City of Huntsville Electric, Natural Gas, and Water Systems
Statements of Cash Flows
Year Ending September 30, 2022



| <i>For the year ended September 30, 2022</i> | Electric | Gas | Water |
|--|----------------------|----------------------|----------------------|
| Reconciliation of Operating Income to Net Cash | | | |
| Provided by Operating Activities | | | |
| Operating income (loss) | \$ 75,179,050 | \$ 11,060,377 | \$ 11,414,994 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | | | |
| Deferred revenue for leasing agreements | (6,235,103) | | |
| Depreciation | 22,942,539 | 5,004,832 | 11,450,691 |
| Change in assets, deferred outflows, liabilities and deferred inflows: | | | |
| (Increase) decrease in assets and deferred outflows | | | |
| Accounts receivable | (321,154) | (280,283) | (559,650) |
| Accrued interest, rent and other receivables | (616,861) | (197,734) | (2,343,780) |
| Inventory | (4,803,316) | (1,704,502) | (595,843) |
| Prepaid items | (12,516) | (9,325) | (17,133) |
| Regulatory asset - revenue warrant expense | - | - | 63,222 |
| Deferred outflows of resources | (3,428,839) | (3,108,336) | (1,287,538) |
| Increase (decrease) in liabilities and deferred inflows | | | |
| Accounts payable | 7,517,741 | 4,891,158 | 2,395,479 |
| Compensated absences | 102,945 | 46,290 | 143,296 |
| Accrued payroll | 275,790 | 82,065 | 144,288 |
| Other current liabilities | 1,010,667 | 38,705 | 11,209 |
| Customer deposits | (5,596,549) | (1,563,411) | (29,607) |
| Interest payable | (36,247) | (2,681) | 360,560 |
| Total OPEB liability | 2,555,299 | 1,185,211 | 1,250,996 |
| Net pension liability | (1,054,438) | (3,858,928) | (731,931) |
| Deferred inflows of resources | 833,416 | 5,237,728 | 846,696 |
| Total adjustments | 13,133,374 | 5,760,789 | 11,100,955 |
| Net cash provided by operating activities | \$ 88,312,424 | \$ 16,821,166 | \$ 22,515,949 |

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, 2022



| | 09/30/2022 | Electric | Gas | Water |
|---|----------------------|----------------------|---------------------|---------------------|
| Assets | | | | |
| Cash and equivalents | \$ 3,833,048 | 2,011,967 | 896,933 | 924,148 |
| Investments | | | | |
| Cohen& Steers Instl | 383,750 | 201,431 | 89,797 | 92,522 |
| Pfm Multi Manger Domestic | 7,355,704 | 3,861,009 | 1,721,235 | 1,773,460 |
| Pfm Multi Manager International | 3,217,023 | 1,688,616 | 752,783 | 775,624 |
| Primco Commodity | 558,746 | 293,285 | 130,747 | 134,714 |
| Principal Investors | 381,860 | 200,439 | 89,355 | 92,066 |
| Ishares Trust | 403,856 | 211,984 | 94,502 | 97,370 |
| PFM Multi Manager Fixed Income | 6,795,904 | 3,567,169 | 1,590,243 | 1,638,492 |
| Accrued income | 6,916 | 3,630 | 1,618 | 1,668 |
| Total assets | 22,936,807 | 12,039,530 | 5,367,213 | 5,530,064 |
| Net position | \$ 22,936,807 | \$ 12,039,530 | \$ 5,367,213 | \$ 5,530,064 |
| Additions | | | | |
| Employer contributions | \$ 3,318,011 | \$ 1,741,624 | \$ 776,415 | \$ 799,972 |
| Benefits paid | (1,818,011) | (954,274) | (425,415) | (438,322) |
| Investment income | | | | |
| Interest and dividends | 540,263 | 283,584 | 126,421 | 130,258 |
| Realized gain (loss) | 1,555,222 | 816,336 | 363,922 | 374,964 |
| Change in market value | (6,497,137) | (3,410,347) | (1,520,330) | (1,566,460) |
| Net investment loss | (4,401,652) | (2,310,427) | (1,029,987) | (1,061,238) |
| Total additions | (2,901,652) | (1,523,077) | (678,987) | (699,588) |
| Deductions | | | | |
| Administrative expenses | 37,912 | 19,900 | 8,871 | 9,141 |
| Increase (Decrease) in net position before reallocat | (2,939,564) | (1,542,977) | (687,858) | (708,729) |
| Reallocation of OPEB | - | (54,174) | 14,556 | 39,618 |
| Increase (Decrease) in net position | (2,939,564) | (1,597,151) | (673,302) | (669,111) |
| Net position restricted for OPEB, beginning of year | 25,876,371 | 13,636,681 | 6,040,515 | 6,199,175 |
| Net position restricted for OPEB, end of year | \$ 22,936,807 | \$ 12,039,530 | \$ 5,367,213 | \$ 5,530,064 |



Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Financial Presentation

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

Basis of Accounting

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



Note 1 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

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

Cash and Cash Equivalents

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

The Boards have designated that cash assets be set aside in each System to fund construction and renewal and replacement activity. The designations are segregated in the Statements of Net Position as Board Designated Funds. Designations are relieved once the Board has approved expenditures from those funds. The designated balances are fully funded and are not separately stated in the net assets portion of the balance sheets at September 30, 2022.

Investments

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

Accounts Receivable - Trade

Accounts receivable consist of amounts due from customers primarily for electric, natural gas, and water charges. The Electric and Water Systems act as billing and collection agents for other City of Huntsville, City of Madison, and Madison County utility departments. Current earnings are charged with an allowance for doubtful accounts based on age of account. Receivables are due 15 days after the issuance of the invoice and are considered delinquent when more than 18 days past due. Accounts considered uncollectible throughout the year are charged against the allowance. The allowance for doubtful accounts at September 30, 2022 was:



Note 1 – Summary of Significant Accounting Policies (Continued)

Accounts Receivable - Trade (Continued)

| | Electric | Gas | Water |
|---------------------------------|----------------------|---------------------|---------------------|
| Accounts Receivable - trade | \$ 40,671,109 | \$ 2,095,128 | \$ 7,380,171 |
| Unbilled utility receivable | 14,945,109 | 1,015,609 | 1,412,044 |
| Allowance for doubtful accounts | (278,407) | (24,783) | (28,723) |
| Total | \$ 55,337,811 | \$ 3,085,954 | \$ 8,763,492 |

Leases Receivable

For the year ended September 30, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the 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.

Materials and Supplies Inventories

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

Fuel Management Program

In connection with the purchase of natural gas, the Natural Gas System has developed and implemented a procurement program intended to manage the risk of changes in the market price 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.



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:

| | Electric System | Gas System | Water System |
|--------------------------|--------------------|---------------|-----------------|
| Regulatory assets: | | | |
| Non-current: | | | |
| Unamortized debt expense | \$ 339,489 | \$ - | \$ 550,253 |

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.

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.



Note 1 - Summary of Significant Accounting Policies (Continued)

Grants in Aid to Construction (Continued)

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 various estimates. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to the allowance for doubtful accounts, net pension liability, net OPEB liability.

Environmental Costs

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

Pensions

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

Recent Accounting Pronouncements

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



Note 1 - Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

| GASB Statement No. | GASB Accounting Standard | Effective Fiscal Year |
|-----------------------|--|--------------------------|
| 87 | Leases | 2022 |
| 89 | Accounting for Interest Cost Incurred Before the End of a Construction Period | 2022 |
| 91 | Conduit Debt Obligations | 2023 |
| 92 | Omnibus (GASB 67, 68, 73, 74, and 84) | Various |
| 94 | Public-Private, Public-Public Partnerships and Availability Payment Arrangements | 2023 |
| 96 | Subscription-Based Information Technology Arrangements | 2023 |
| 98 | The Annual Comprehensive Financial Report | 2023 |
| 99 | Omnibus (GASB 34, 53, 63, 70, 87, 94, and 96) | Various |
| 100 | Accounting Changes and Error Corrections | 2024 |
| 101 | Compensated Absence | 2025 |

The Governmental Accounting Standards Board has issued statements that that became effective for the year ending September 30, 2022. These statements are as follows:

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement 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 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 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 this Statement are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. This statement has no impact on Huntsville Utilities current financial statements as implementation occurred in prior years.

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



Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

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

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement 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. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports,
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan,
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits,
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements,
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition,
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers,
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature, and
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:



Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

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

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

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides



Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

In October 2021, the GASB issued GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for fiscal years ending after December 15, 2021.

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

- Provides clarification of provisions in Statement 34. The phrase “the reporting government as a whole” found in paragraphs 6 and 13 of GASB34 is replaced with “overall reporting government” to avoid confusion about the reporting of a total column for the financial reporting entity in the financial statements and to clarify that the requirements apply regardless of whether a total column is presented. The changes to Statement 34 are effective upon issuance.
- Provides clarification of the classification and reporting of derivative instruments in Statement 53. Terminology updates related to Statement 53 are effective upon issuance. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023.
- Updates terminology in Statement 63 to certain provisions of Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. Terminology updates are effective upon issuance.



Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

- Provides clarification to Statement 87 related to the determination of the lease term, classification of a lease as a short term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Statement 94 – Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset. Effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- Clarification of provisions in Statement 96 Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. This clarification is effective for fiscal years beginning after June 15, 2022.

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

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

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



Note 2 – Cash, Cash Equivalents, and Investments

At September 30, 2022, all cash and cash equivalents of the Utilities are entirely insured or collateralized as provided by the Security for Alabama Funds Enhancement Act (“SAFE”) as prescribed in section 41-14A of the code of the state of Alabama with a Qualified Public Fund Depository. Funds held by the banks’ trust departments or agents are invested in U.S. governmental securities or are secured by U.S. government securities.

A summary of cash and investments for the year ended September 30, 2022, is as follows:

City of Huntsville Electric, Natural Gas, and Water Systems
Notes to Financial Statements
Year Ending September 30, 2022



| | Electric System | Gas System | Water System |
|--------------------------------|-----------------------|----------------------|----------------------|
| Carrying amounts of: | | | |
| Cash and cash equivalents | | | |
| Unrestricted | \$ 85,379,780 | \$ 8,122,831 | \$ 9,499,964 |
| Customer deposits - restricted | 44,288,823 | 629,642 | 5,423,763 |
| Warrant - restricted | - | 1,797,856 | - |
| Board designated | 6,298,257 | 2,369,803 | 1,461,096 |
| Investments | | | |
| Unrestricted | 457,034 | 4,568,194 | 23,465,201 |
| Customer deposits - restricted | - | - | - |
| Warrant - restricted | - | 281,933 | 6,882,484 |
| Board designated | 14,675,500 | 12,245,092 | 8,116,672 |
| Total | \$ 151,099,394 | \$ 30,015,351 | \$ 54,849,180 |
| Cash and cash equivalents | | | |
| Unrestricted | \$ 85,379,780 | \$ 8,122,831 | \$ 9,499,964 |
| Customer deposits - restricted | 44,288,823 | 629,642 | 5,423,763 |
| Warrant - restricted | - | 1,797,856 | - |
| Investments - unrestricted | 457,034 | 4,568,194 | 23,465,201 |
| Investments - restricted | | | |
| Customer deposits | - | - | - |
| Warrant construction funds | - | 281,933 | 6,882,484 |
| Board designated accounts | | | |
| Cash and cash equivalents | | | |
| Insurance fund | 145,706 | 11,599 | 11,626 |
| Worker's compensation fund | 95,767 | (56,849) | 165,113 |
| Construction fund | 1,607,380 | 2,291,164 | 1,253,035 |
| Renewal and replacement fund | 2,049,403 | 123,889 | 31,322 |
| Emergency fund | 2,400,000 | - | - |
| System development | - | - | - |
| Investments | | | |
| Insurance fund | 1,497,598 | 913,898 | 916,032 |
| Worker's compensation fund | 1,826,016 | 1,821,402 | 1,686,155 |
| Construction fund | 8,790,231 | 7,192,788 | 5,514,485 |
| Emergency fund | 2,561,656 | - | - |
| Rate stabiliation fund | - | 2,317,004 | - |
| System development | - | - | - |
| Total | \$ 151,099,394 | \$ 30,015,351 | \$ 54,849,180 |



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

At September 30, 2022, the Utilities had the following investments:

| | Fair value | Maturities (in years) | | | Level |
|---|-------------------|-----------------------|----------------------|-------------|-------|
| | | Less than 1 | 1-5 | More than 5 | |
| Investments by fair value level | | | | | |
| Money Market Funds - U.S. Treasury Obligations | \$ 11,605,550 | \$ 11,605,550 | \$ - | \$ - | 1 |
| Certificate of Deposits | 551,695 | 551,695 | - | - | 1 |
| Government Sponsored Enterprises | 62,023,466 | 4,928,350 | 57,095,116 | - | 1 |
| Total investments measured by fair value level | 74,180,711 | \$ 17,085,595 | \$ 57,095,116 | \$ - | |

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

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

At September 30, 2022 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 Utilities 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 assets or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

The fair value measurements of the Utilities' investments at September 30, 2022 are as follows:

| | Level 1 | Total |
|--|-------------------|----------------------|
| Money Market Funds - U.S. Treasury Obligations | \$ 11,605,550 | \$ 11,605,550 |
| Certificate of Deposits | 551,695 | \$ 551,695 |
| Government Sponsored Enterprises | 62,023,466 | \$ 62,023,466 |
| | <u>74,180,711</u> | <u>\$ 74,180,711</u> |

There have been no changes in the methodologies used at September 30, 2022.

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 – Lease Receivables

During fiscal year 2022, HU adopted GASB Statement No. 87, Leases (GASB 87) using a full (*retrospective*) approach. GASB 87 requires a lessee to recognize an intangible right of use asset and a lease liability, and a lessor to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information regarding leasing activities. Related to lease agreements where HU is the lessor, as a result of adopting GASB 87, as of September 30, 2022, HU recognized lease receivables of \$144,394,517 with a corresponding deferred inflow of resources of \$144,394,517. HU recognized amortization expense of the deferred inflows of \$6,235,100 and reduced the lease receivable by payments of \$5,277,985. Additional disclosures, as well as other reclassifications in the statement of cash flows, also resulted from the adoption of GASB 87. The numbers stated above come for the October 1, 2021, Balance plus Additions for the Deferred Inflows and Lease Receivables.

Activity (Rollforward Schedule)

| BUSINESS-TYPE ACTIVITIES: | Balance as of October 1, 2021 | Additions | Reductions | Balance as of September 30, 2022 |
|---|--|------------------|-------------------|---|
| Lease Receivable | | | | |
| Buildings - Office Space | | | | |
| 911 Disaster Recovery Center | 1,056,966 | - | 22,518 | 1,034,448 |
| City of HSV - Suite 201, 101 Church Street SW | 702,862 | - | 139,099 | 563,763 |
| YMCA - 101 Church Street SW | 1,611,874 | - | 234,782 | 1,377,092 |
| Total Building Lease Receivable | 3,371,702 | - | 396,399 | 2,975,303 |
| Equipment - Colocation | | | | |
| Traveller | - | 277,278 | 4,110 | 273,168 |
| Total Equipment Lease Receivable | - | 277,278 | 4,110 | 273,168 |
| Infrastructure - Fiber | | | | |
| DC Blox | - | 40,576 | 4,313 | 36,263 |
| Google | 135,141,483 | 4,010,263 | 4,753,166 | 134,398,580 |
| HSV City Schools | - | 153,863 | 38,723 | 115,140 |
| Traveller | 1,338,850 | 60,502 | 81,274 | 1,318,078 |
| Total Infrastructure Lease Receivable | 136,480,333 | 4,265,204 | 4,877,476 | 135,868,061 |
| Total Lease Receivable | 139,852,035 | 4,542,482 | 5,277,985 | 139,116,532 |



Note 3 – Lease Receivables (Continued)

Activity (Rollforward Schedule)

| BUSINESS-TYPE ACTIVITIES: | Balance as of October 1, 2021 | Additions | Reductions | Balance as of September 30, 2022 |
|--|----------------------------------|------------------|------------------|-------------------------------------|
| Deferred Inflow of Resources | | | | |
| Buildings - Office Space | | | | |
| 911 Disaster Recovery Center | 1,056,966 | - | 34,096 | 1,022,870 |
| City of HSV - Suite 201, 101 Church Street SW | 702,862 | - | 140,572 | 562,290 |
| YMCA - 101 Church Street SW | 1,611,874 | - | 241,781 | 1,370,093 |
| Total Building Deferred Inflow of Resources | 3,371,702 | - | 416,449 | 2,955,253 |
| Equipment - Colocation | | | | |
| Traveller | - | 277,278 | 4,620 | 272,658 |
| Total Equipment Deferred Inflow of Resources | - | 277,278 | 4,620 | 272,658 |
| Infrastructure - Fiber | | | | |
| DC Blox | - | 40,576 | 4,406 | 36,170 |
| Google | 135,141,483 | 4,010,263 | 5,681,491 | 133,470,255 |
| HSV City Schools | - | 153,863 | 38,864 | 114,999 |
| Traveller | 1,338,850 | 60,502 | 89,273 | 1,310,079 |
| Total Infrastructure Deferred Inflow of Resources | 136,480,333 | 4,265,204 | 5,814,034 | 134,931,503 |
| Total Deferred Inflow of Resources | 139,852,035 | 4,542,482 | 6,235,103 | 138,159,414 |

Principal and Interest Expected to Maturity

| Fiscal Year | Business-Type Activities | | |
|-------------|--------------------------|-------------------|----------------|
| | Principal Payments | Interest Payments | Total Payments |
| 2023 | 5,278,889 | 2,468,700 | 7,747,589 |
| 2024 | 5,374,034 | 2,377,596 | 7,751,630 |
| 2025 | 5,428,637 | 2,283,893 | 7,712,530 |
| 2026 | 5,502,977 | 2,188,653 | 7,691,630 |
| 2027 | 5,435,498 | 2,092,217 | 7,527,716 |
| 2028 - 2032 | 27,517,830 | 8,985,886 | 36,503,716 |
| 2033 - 2037 | 29,970,707 | 6,378,399 | 36,349,106 |
| 2038 - 2042 | 32,183,709 | 3,527,354 | 35,711,063 |
| 2043 - 2047 | 22,200,124 | 734,334 | 22,934,458 |
| 2048 - 2052 | 224,127 | 10,886 | 235,013 |



Note 4 – Utility Plant in Service

The following is a summary of changes in capital assets during the year ended September 30, 2022:

Electric System

| | Balance | | | Balance |
|-------------------------------|-----------------------|----------------------|------------------------|-----------------------|
| | 09/30/2021 | Increases | Decreases | 09/30/2022 |
| Land and land rights | \$ 5,154,038 | | | \$ 5,154,038 |
| Structures and improvements | 652,430,324 | 21,597,171 | (5,099,338) | 668,928,157 |
| Furniture, fixtures and other | 74,932,914 | 2,596,679 | (685,716) | 76,843,877 |
| Total | 732,517,276 | 24,193,850 | (5,785,054) | 750,926,072 |
| Less accumulated depreciation | (374,974,790) | (24,612,797) | 5,711,517 | (393,876,070) |
| Construction in progress | 9,051,599 | 24,559,110 | (16,542,283) | 17,068,426 |
| Total | <u>\$ 366,594,085</u> | <u>\$ 24,140,163</u> | <u>\$ (16,615,820)</u> | <u>\$ 374,118,428</u> |

Natural Gas System

| | Balance | | | Balance |
|--------------------------------|-----------------------|----------------------|-----------------------|-----------------------|
| | 09/30/2021 | Increases | Decreases | 09/30/2022 |
| Land and land rights | \$ 1,803,038 | \$ - | \$ - | \$ 1,803,038 |
| Structures and improvements | 200,125,069 | 8,831,853 | (109,277) | 208,847,645 |
| Furniture, equipment and other | 14,981,638 | 484,043 | (290,494) | 15,175,187 |
| Total | 216,909,745 | 9,315,896 | (399,771) | 225,825,870 |
| Less accumulated depreciation | (91,133,116) | (5,488,044) | 440,370 | (96,180,790) |
| Construction in progress | 11,862,181 | 14,628,477 | (8,700,351) | 17,790,307 |
| Total | <u>\$ 137,638,810</u> | <u>\$ 18,456,329</u> | <u>\$ (8,659,752)</u> | <u>\$ 147,435,387</u> |

Water System

| | Balance | | | Balance |
|--------------------------------|-----------------------|----------------------|------------------------|-----------------------|
| | 09/30/2021 | Increases | Decreases | 09/30/2022 |
| Land and land rights | \$ 2,257,758 | \$ 21,884 | \$ - | \$ 2,279,642 |
| Structures and improvements | 432,543,037 | 19,246,452 | (689,642) | 451,099,847 |
| Furniture, equipment and other | 16,414,853 | 1,267,339 | (298,775) | 17,383,418 |
| Total | 451,215,648 | 20,535,675 | (988,417) | 470,762,907 |
| Less accumulated depreciation | (170,463,586) | (12,077,857) | 1,011,417 | (181,530,026) |
| Construction in progress | 20,672,164 | 31,525,147 | (18,556,471) | 33,640,840 |
| Total | <u>\$ 301,424,226</u> | <u>\$ 39,982,965</u> | <u>\$ (18,533,471)</u> | <u>\$ 322,873,721</u> |



Note 5 – Long-Term Debt

Long-term liability activity for the year ended September 30, 2022, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|------------------------|-----------------------|----------------------|-----------------------|-----------------------|------------------------|
| Electric System | | | | | |
| Series 2017 A | \$ 55,475,000 | \$ - | \$ (1,985,000) | \$ 53,490,000 | \$ 1,615,000 |
| Series 2017 B | 16,360,000 | - | (1,105,000) | 15,255,000 | 1,625,000 |
| Unamortized premium | 10,175,370 | - | (1,107,368) | 9,068,002 | |
| Long Term Debt | \$ 82,010,370 | \$ - | \$ (4,197,368) | \$ 77,813,002 | \$ 3,240,000 |
| Gas System | | | | | |
| Series 2019-A | \$ 3,650,090 | \$ - | \$ (426,330) | \$ 3,223,760 | \$ 399,234 |
| Series 2019-B | 2,990,644 | - | (1,003,255) | 1,987,389 | 939,764 |
| Long Term Debt | \$ 6,640,734 | \$ - | \$ (1,429,585) | \$ 5,211,149 | \$ 1,338,998 |
| Water System | | | | | |
| Series 2013 | \$ 120,000 | \$ - | \$ (10,000) | \$ 110,000 | \$ 10,000 |
| Series 2015 | 15,255,000 | - | (3,575,000) | 11,680,000 | 3,700,000 |
| Series 2016 | 7,975,000 | - | (450,000) | 7,525,000 | 475,000 |
| Series 2021-A | 7,010,000 | - | (185,000) | 6,825,000 | 840,000 |
| Series 2021-B | 71,010,000 | - | - | \$ 71,010,000 | 1,430,000 |
| Series 2021A-DWSRF-DL | 10,615,000 | - | (430,000) | \$ 10,185,000 | 440,000 |
| Series 2021B-DWSRF-DL | - | 15,715,000 | (635,000) | 15,080,000 | 650,000 |
| Unamortized premium | 3,319,254 | | (806,687) | 2,512,567 | |
| Long Term Debt | \$ 115,304,254 | \$ 15,715,000 | \$ (6,091,687) | \$ 124,927,567 | \$ 7,545,000 |

Electric System

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



Note 5 – Long-Term Debt (Continued)

Electric System (Continued)

The 2017-A issue contained issuance cost of \$364,297 that are classified as regulatory asset and amortized over 20 years. At September 30, 2022, the unamortized regulatory asset is \$254,024. The 2017-A issue also contained a premium of \$11,204,297 that is being amortized over 20 years. At September 30, 2022, the unamortized premium is \$7,309,344. The 2017-A Warrants are secured by the net revenues from the operations of the Electric System after payment of operating expenses. The 2017-A Warrants were issued to pay for the costs of capital improvements to the Electric System.

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

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

The 2017-B issue contained issuance cost of \$130,370 that are classified as a regulatory asset and amortized over 15 years. At September 30, 2022, the unamortized regulatory asset is \$85,465. The 2017-B issue also contained a premium of \$3,669,067 that is being amortized over 15 years. At September 30, 2022, the unamortized premium is \$1,758,658.

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

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



Note 5 – Long-Term Debt (Continued)

Electric System (Continued)

As required by GASB Statement No. 23, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is carried as deferred amount on debt refunding. The 2011 Warrants were refunded in 2017 at a loss of \$710,928. The loss on the bond refinancing is amortized over the life of the 2017 Warrants, which is 15 years. Amortization expense for the year was \$48,305 and accumulated amortization was \$235,925 at September 30, 2022.

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

| Year Ending September 30, | Series 2017-A Warrants | | | Series 2017-B Warrants | | | Total | |
|------------------------------|------------------------|----------------------|-------|------------------------|---------------------|-------|----------------------|----------------------|
| | Principal | Interest | Rate | Principal | Interest | Rate | Principal | Interest |
| 2023 | \$ 1,615,000 | \$ 2,634,125 | 5.00% | \$ 1,625,000 | \$ 708,475 | 5.00% | \$ 3,240,000 | \$ 3,342,600 |
| 2024 | 2,170,000 | 2,539,500 | 5.00% | 1,240,000 | 636,850 | 5.00% | 3,410,000 | 3,176,350 |
| 2025 | 2,280,000 | 2,428,250 | 5.00% | 1,300,000 | 573,350 | 5.00% | 3,580,000 | 3,001,600 |
| 2026 | 2,400,000 | 2,311,250 | 5.00% | 1,365,000 | 513,550 | 5.00% | 3,765,000 | 2,824,800 |
| 2027 | 2,520,000 | 2,188,250 | 5.00% | 1,425,000 | 450,625 | 5.00% | 3,945,000 | 2,638,875 |
| 2028 | 2,650,000 | 2,059,000 | 5.00% | 1,500,000 | 377,500 | 5.00% | 4,150,000 | 2,436,500 |
| 2029 | 2,785,000 | 1,923,125 | 5.00% | 1,575,000 | 300,625 | 5.00% | 4,360,000 | 2,223,750 |
| 2030 | 2,930,000 | 1,780,250 | 5.00% | 1,655,000 | 219,875 | 5.00% | 4,585,000 | 2,000,125 |
| 2031 | 3,080,000 | 1,630,000 | 5.00% | 1,740,000 | 13,000 | 5.00% | 4,820,000 | 1,643,000 |
| 2032 | 3,240,000 | 1,472,000 | 5.00% | 1,830,000 | 45,750 | 5.00% | 5,070,000 | 1,517,750 |
| 2033 | 3,405,000 | 1,305,875 | 5.00% | - | - | - | 3,405,000 | 1,305,875 |
| 2034 | 3,580,000 | 1,131,250 | 5.00% | - | - | - | 3,580,000 | 1,131,250 |
| 2035 | 3,760,000 | 947,750 | 5.00% | - | - | - | 3,760,000 | 947,750 |
| 2036 | 3,955,000 | 754,875 | 5.00% | - | - | - | 3,955,000 | 754,875 |
| 2037 | 4,155,000 | 552,125 | 5.00% | - | - | - | 4,155,000 | 552,125 |
| 2038 | 4,370,000 | 339,000 | 5.00% | - | - | - | 4,370,000 | 339,000 |
| 2039 | 4,595,000 | 114,875 | 5.00% | - | - | - | 4,595,000 | 114,875 |
| Total | 53,490,000 | 26,111,500 | | 15,255,000 | 3,839,600 | | 68,745,000 | 29,951,100 |
| Current Portion | (1,615,000) | (2,634,125) | | (1,625,000) | (708,475) | | (3,240,000) | (3,342,600) |
| Noncurrent Portion | \$ 51,875,000 | \$ 23,477,375 | | \$ 13,630,000 | \$ 3,131,125 | | \$ 65,505,000 | \$ 26,608,500 |



Note 5 – Long-Term Debt (Continued)

Gas System

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

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

| Year Ending September 30, | Series 2019-A Warrants | | | Series 2019-B Warrants | | | Total | |
|------------------------------|------------------------|------------|-------|------------------------|-----------|-------|--------------|------------|
| | Principal | Interest | Rate | Principal | Interest | Rate | Principal | Interest |
| 2023 | \$ 399,234 | \$ 67,452 | 2.23% | \$ 939,764 | \$ 34,329 | 2.26% | \$ 1,338,998 | \$ 101,781 |
| 2024 | 444,929 | 57,631 | 2.23% | 1,047,625 | 10,896 | 2.26% | 1,492,554 | 68,527 |
| 2025 | 454,953 | 47,588 | 2.23% | - | - | - | 454,953 | 47,588 |
| 2026 | 465,203 | 37,319 | 2.23% | - | - | - | 465,203 | 37,319 |
| 2027 | 475,683 | 26,819 | 2.23% | - | - | - | 475,683 | 26,819 |
| 2028 | 486,400 | 16,083 | 2.23% | - | - | - | 486,400 | 16,083 |
| 2029 | 497,358 | 5,104 | 2.23% | - | - | - | 497,358 | 5,104 |
| | \$ 3,223,761 | \$ 257,996 | | \$ 1,987,389 | \$ 45,225 | | \$ 5,211,149 | \$ 303,221 |
| | (399,234) | (67,452) | | (939,764) | (34,329) | | (1,338,998) | (101,781) |
| | \$ 2,824,526 | \$ 190,544 | | \$ 1,047,625 | \$ 10,896 | | \$ 3,872,151 | \$ 201,440 |

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:



Note 5 – Long-Term Debt (Continued)

Water System (Continued)

| Year Ending September 30, | Series 2013 Warrants | | |
|------------------------------|----------------------|------------------|-------|
| | Principal | Interest | Rate |
| 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 | \$ 110,000 | \$ 16,643 | |
| Current Portion | (10,000) | (2,888) | |
| Noncurrent Portion | \$ 100,000 | \$ 13,755 | |

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.

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

The Series 2015 Warrants were partially refunded with the issuance of the 2021-A Warrants. The outstanding amount after the refunding was \$15,255,000. At September 30, 2022, there was \$36,713 in debt issuance costs and \$869,485 of premium outstanding to be amortized over the remaining life of the warrant. See additional disclosure below.



Note 5 – Long-Term Debt (Continued)

Water System (Continued)

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

| Year Ending September 30, | Series 2015 Warrants | | |
|------------------------------|----------------------|------------|-------|
| | Principal | Interest | Rate |
| 2023 | \$ 3,700,000 | \$ 491,500 | 2.50% |
| 2024 | 3,890,000 | 301,750 | 2.50% |
| 2025 | 4,090,000 | 102,250 | 2.50% |
| Total | \$ 11,680,000 | \$ 895,500 | |
| Current Portion | (3,700,000) | (491,500) | |
| Noncurrent Portion | \$ 7,980,000 | \$ 404,000 | |

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

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

| Year Ending September 30, | Series 2016 Warrants | | |
|------------------------------|----------------------|--------------|--------|
| | Principal | Interest | Rate |
| 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 | \$ 7,525,000 | \$ 2,012,301 | |
| Current Portion | (475,000) | (318,700) | |
| Noncurrent Portion | \$ 7,050,000 | \$ 1,693,601 | |



Note 5 – Long-Term Debt (Continued)

Water System (Continued)

The 2016 issue contained issuance cost of \$171,652 that are classified as regulatory asset and amortized over 20 years. At September 30, 2022, the unamortized regulatory asset is \$105,852. The 2016 issue also contained a premium of \$1,090,205 that is being amortized over 20 years. At September 30, 2022, the unamortized premium is \$533,094.

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

The 2008 Warrants were refunded in 2016 at a loss of \$703,877. The loss on the bond refinancing is amortized over the remaining life of the 2016 Warrants, which is 15 years. Amortization expense for the year was \$48,266 and accumulated amortization was \$261,440 at September 30, 2022.

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

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

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



Note 5 – Long-Term Debt (Continued)

Water System (Continued)

| Year Ending September 30, | Series 2021-A Warrants | | |
|------------------------------|------------------------|---------------------|-------|
| | Principal | Interest | Rate |
| 2023 | \$ 840,000 | \$ 316,050 | 2.50% |
| 2024 | 880,000 | 277,250 | 2.50% |
| 2025 | 920,000 | 232,250 | 2.50% |
| 2026 | 970,000 | 185,000 | 2.50% |
| 2027 | 1,020,000 | 135,250 | 2.50% |
| 2028 | 1,070,000 | 83,000 | 2.50% |
| 2029 | 1,125,000 | 28,125 | 2.50% |
| Total | \$ 6,825,000 | \$ 1,256,925 | |
| Current Portion | (840,000) | (316,050) | |
| Noncurrent Portion | \$ 5,985,000 | \$ 940,875 | |

The 2021-A issue contained issuance cost of \$40,554 that are classified as regulatory asset and amortized over 87 months. At September 30, 2022, the unamortized regulatory asset is \$34,028. The 2021-A issue also contained a premium of \$1,330,407 that is being amortized over 87 months. At September 30, 2022, the unamortized portion is \$1,109,988.

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

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



Note 5 – Long-Term Debt (Continued)

Water System (Continued)

| Year Ending September 30, | Series 2021-B Warrants | | |
|------------------------------|------------------------|----------------------|-------|
| | Principal | Interest | Rate |
| 2023 | \$ 1,430,000 | \$ 1,063,696 | 0.75% |
| 2024 | 1,430,000 | 1,060,336 | 0.76% |
| 2025 | 1,435,000 | 1,054,732 | 0.78% |
| 2026 | 5,655,000 | 1,029,319 | 0.79% |
| 2027 | 5,705,000 | 979,480 | 0.82% |
| 2028 | 5,770,000 | 917,366 | 0.86% |
| 2029 | 5,840,000 | 844,081 | 0.89% |
| 2030 | 5,925,000 | 759,418 | 0.92% |
| 2031 | 6,025,000 | 664,391 | 0.94% |
| 2032 | 6,125,000 | 563,229 | 0.97% |
| 2033 | 6,230,000 | 454,157 | 1.00% |
| 2034 | 6,350,000 | 335,246 | 1.02% |
| 2035 | 6,475,000 | 207,606 | 1.05% |
| 2036 | 6,615,000 | 70,781 | 1.07% |
| Total | \$ 71,010,000 | \$ 10,003,838 | |
| Current Portion | (1,430,000) | (1,063,696) | |
| Noncurrent Portion | \$ 69,580,000 | \$ 8,940,142 | |

The 2021-B issue contained issuance cost of \$406,980 that are classified as a regulatory asset and amortized over 171 months. At September 30, 2022, the unamortized regulatory asset is \$373,660. The 2021-B issue did not contain a premium.

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

A portion of the 2015 Warrants were refunded in 2021 at a loss of \$4,611,034. The loss on the bond refinancing is amortized over the remaining life of the 2015 Warrants, which is 14 years. Amortization expense for the year was \$323,581 and accumulated amortization was \$377,512 at September 30, 2022.

The Utilities refunded the 2015 Warrants to reduce the annual debt service requirements. The refunding decreased the total debt service payments over the next 15 years by approximately \$15,108,000 and resulted in



Note 5 – Long-Term Debt (Continued)

Water System (Continued)

an economic gain (difference between the present values of the debt service payments on the old and new debt) for the utilities of approximately \$14,260,000.

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



Note 5 – Long-Term Debt (Continued)

Water System (Continued)

| Year Ending September 30, | Series 2021A-DWSRF-DL Warrants | |
|------------------------------|-----------------------------------|--------------|
| | Principal | Interest |
| 2023 | \$ 440,000 | \$ 219,230 |
| 2024 | 445,000 | 209,495 |
| 2025 | 455,000 | 199,595 |
| 2026 | 465,000 | 189,475 |
| 2027 | 475,000 | 179,135 |
| 2028 | 490,000 | 168,520 |
| 2029 | 500,000 | 157,630 |
| 2030 | 510,000 | 146,520 |
| 2031 | 520,000 | 135,190 |
| 2032 | 530,000 | 123,640 |
| 2033 | 545,000 | 111,815 |
| 2034 | 555,000 | 99,715 |
| 2035 | 570,000 | 87,340 |
| 2036 | 580,000 | 74,690 |
| 2037 | 595,000 | 61,765 |
| 2038 | 605,000 | 48,565 |
| 2039 | 620,000 | 35,090 |
| 2040 | 635,000 | 21,285 |
| 2041 | 650,000 | 7,150 |
| Total | \$ 10,185,000 | \$ 2,275,845 |
| Current Portion | (440,000) | (219,230) |
| Noncurrent Portion | \$ 9,745,000 | \$ 2,056,615 |

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



Note 5 – Long-Term Debt (Continued)

Water System (Continued)

| Year Ending September 30, | Series 2021B-DWSRF-DL Warrants | |
|------------------------------|-----------------------------------|--------------|
| | Principal | Interest |
| 2023 | \$ 650,000 | \$ 331,760 |
| 2024 | 660,000 | 317,460 |
| 2025 | 675,000 | 302,940 |
| 2026 | 690,000 | 288,090 |
| 2027 | 705,000 | 272,910 |
| 2028 | 720,000 | 257,400 |
| 2029 | 740,000 | 241,560 |
| 2030 | 755,000 | 225,280 |
| 2031 | 770,000 | 208,670 |
| 2032 | 790,000 | 191,730 |
| 2033 | 805,000 | 174,350 |
| 2034 | 825,000 | 156,640 |
| 2035 | 840,000 | 138,490 |
| 2036 | 860,000 | 120,010 |
| 2037 | 880,000 | 101,090 |
| 2038 | 900,000 | 81,730 |
| 2039 | 915,000 | 61,930 |
| 2040 | 940,000 | 41,800 |
| 2041 | 960,000 | 21,120 |
| Total | \$ 15,080,000 | \$ 3,534,960 |
| Less Unadvanced Funding | (8,892,713) | (2,084,575) |
| Current Portion | (650,000) | (331,760) |
| Noncurrent Portion | \$ 5,537,287 | \$ 1,118,625 |



Note 6 – Employee Benefits

The annual leave policy allows each employee to accumulate up to 35 days of annual leave. The Utilities follows the practice of accruing the dollar amount of the leave accrued per each employee on a monthly basis. Actual leave time taken is charged against this account. The sick leave policy provides that at the time of retirement, each employee will be paid 25% of the accumulated sick leave based on the employee’s current salary. The Utilities follow the practice of accruing 25% of accumulated sick leave for the employees at year end who are vested in their sick leave. Accrued annual leave and sick leave at September 30, 2022 are as follows:

| | Accrued Annual Leave | Accrued Sick Leave |
|--------------------|-----------------------------|---------------------------|
| Electric System | \$ 3,247,880 | \$ 492,736 |
| Natural Gas System | 852,729 | 162,723 |
| Water System | 1,214,280 | 265,675 |
| Totals | \$ 5,314,889 | \$ 921,133 |

Note 7 – Defined Benefit Pension Plan and Description

Plan Description

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

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

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



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

Plan Description (Continued)

- a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
- b. Two vested active state employees.
- c. One full time employee of a participating municipality of city in ERS pursuant to § 36-27-6.
- d. One full time employee of a participating county in ERS pursuant to § 36-27-6.
- e. One full time employee or retiree of a participating employer in ERS pursuant to § 36-27-6.
- f. One full time employee of a participating employer other than a municipality, city or county in ERS pursuant to § 36-27-6.

Benefits Provided

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

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

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



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

Benefits Provided (Continued)

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

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

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

| | 2022 | | | |
|---|----------------|------------|------------|------------|
| | ERS | Electric | Gas | Water |
| Retirees and beneficiaries currently receiving benefits | 29,727 | 124 | 188 | 61 |
| Vested Inactive Members | 2,130 | 3 | 11 | 2 |
| Non-vested Inactive Members | 16,415 | 5 | 24 | 4 |
| Active Members | 56,184 | 182 | 409 | 124 |
| Post-DROP participants who are still in active service | 54 | - | - | - |
| Total | 104,510 | 314 | 632 | 191 |

Contributions

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

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



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

Contributions (Continued)

Tier 2 covered members of the ERS contribute 7.5% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the

ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local Participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the preretirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2022, 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, 2022 was as follows

| | Electric Systems | | Natural Gas Systems | | Water Systems | |
|-----------------------------|------------------|---------------|---------------------|--------------|---------------|---------------|
| | 2022 | | 2022 | | 2022 | |
| | Tier 1 | Tier 2 | Tier 1 | Tier 2 | Tier 1 | Tier 2 |
| Normal Cost | 1.49% | -0.99% | 1.89% | -0.59% | 1.60% | -0.89% |
| Accrue Liability | 18.94% | 18.96% | 9.24% | 9.26% | 15.35% | 15.36% |
| Preretirement Death Benefit | 0.02% | 0.02% | 0.02% | 0.02% | 0.02% | 0.02% |
| Administrative Expense | 0.35% | 0.35% | 0.35% | 0.35% | 0.35% | 0.35% |
| | <u>20.80%</u> | <u>18.34%</u> | <u>11.50%</u> | <u>9.04%</u> | <u>17.32%</u> | <u>14.84%</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, 2022 from the utilities were:

| | Employer Contributions |
|----------|------------------------|
| Electric | 3,233,519 |
| Gas | 3,339,201 |
| Water | 1,448,405 |



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

Net Pension Liability

The Utilities net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020, rolled forward to September 30, 2021 using standard roll-forward techniques as shown in the following table:

| | Expected | Actual Before Act 2019-132 | Actual After Act 2019-132 | Actual Aftr 2020 Experience Study |
|--|-------------------|-------------------------------|------------------------------|--------------------------------------|
| Electric System | | | | |
| a) Total Pension Liability as of September 30, 2020 | \$ 73,316,243 | \$ 75,105,525 | \$ 75,105,525 | \$ 77,082,696 |
| b) Discount Rate | 7.70% | 7.70% | 7.70% | 7.45% |
| c) Entry Age Normal Cost for the period | | | | |
| October 1, 2019 - Septmber 30, 2020 | 905,233 | 905,233 | 905,233 | 1,017,882 |
| d) Transfers Among Employers | - | 149,534 | 149,534 | 149,534 |
| e) Actual Benefit Payments and Refunds for the period October 1, 2020 - September 30, 2021 | (5,340,121) | (5,340,121) | (5,340,121) | (5,340,121) |
| f) Total Pension Liability as of September 30, 2021 =[a * (1+b)] + c + d + [e * (1 + 0.5*(b)) | <u>74,321,111</u> | <u>76,397,702</u> | <u>76,397,702</u> | <u>78,453,733</u> |
| g) Difference between Expected and Actual: | | \$ 2,076,591 | | |
| h) Less Liability Trasferred for Immediate Recognition: | | \$ 149,543 | | |
| i) Difference between Expected and Actual - Experience (Gain)/Loss | | \$ 1,927,057 | | |
| j) Difference between Actual Total Pension Cost Before and After Act 2019-132 - Benefit Change (Gain)/Loss | | | \$ - | |
| k) Difference between Actual Total Pension Cost Before and After 2020 Experience Study - Assumption Change (Gain)/Loss | | | | \$ 2,056,031 |



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

Net Pension Liability (Continued)

| | Expected | Actual Before Act 2019-132 | Actual After Act 2019-132 | Actual Aftr 2020 Experience Study |
|--|----------------|-------------------------------|------------------------------|--------------------------------------|
| Gas System | | | | |
| a) Total Pension Liability as of September 30, 2020 | \$ 111,824,045 | \$ 113,801,072 | \$ 113,801,072 | \$ 117,570,170 |
| b) Discount Rate | 7.70% | 7.70% | 7.70% | 7.45% |
| c) Entry Age Normal Cost for the period | | | | |
| October 1, 2019 - Septmber 30, 2020 | 2,158,784 | 2,158,784 | 2,158,784 | 2,395,354 |
| d) Transfers Among Employers | - | 120,158 | 120,158 | 120,158 |
| e) Actual Benefit Payments and Refunds for the period October 1, 2020 - September 30, 2021 | (6,312,885) | (6,312,885) | (6,312,885) | (6,312,885) |
| f) Total Pension Liability as of September 30, 2021 =[a * (1+b)] + c + d + [e * (1 + 0.5*(b))] | 116,037,349 | 118,286,766 | 118,286,766 | 122,296,620 |
| g) Difference between Expected and Actual: | | \$ 2,249,417 | | |
| h) Less Liability Trasferred for Immediate Recognition: | | \$ 120,158 | | |
| i) Difference between Expected and Actual - Experience (Gain)/Loss | | \$ 2,129,259 | | |
| j) Difference between Actual Total Pension Cost Before and After Act 2019-132 - Benefit Change (Gain)/Loss | | | \$ - | |
| k) Difference between Actual Total Pension Cost Before and After 2020 Experience Study - Assumption Change (Gain)/Loss | | | | \$ 4,009,854 |



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

Net Pension Liability (Continued)

| | Expected | Actual Before Act 2019-132 | Actual After Act 2019-132 | Actual Aftr 2020 Experience Study |
|--|-------------------|-------------------------------|------------------------------|--------------------------------------|
| Water System | | | | |
| a) Total Pension Liability as of September 30, 2020 | \$ 38,904,490 | \$ 39,735,441 | \$ 39,735,441 | \$ 40,913,030 |
| b) Discount Rate | 7.70% | 7.70% | 7.70% | 7.45% |
| c) Entry Age Normal Cost for the period October 1, 2019 - Septmber 30, 2020 | 520,085 | 520,085 | 520,085 | 579,205 |
| d) Transfers Among Employers | - | (65,798) | (65,798) | (65,798) |
| e) Actual Benefit Payments and Refunds for the period October 1, 2020 - September 30, 2021 | (2,638,862) | (2,638,862) | (2,638,862) | (2,638,862) |
| f) Total Pension Liability as of September 30, 2021 =[a * (1+b)] + c + d + [e * (1 + 0.5*(b))] | <u>39,679,763</u> | <u>40,508,899</u> | <u>40,508,899</u> | <u>41,737,298</u> |
| g) Difference between Expected and Actual: | | \$ 829,136 | | |
| h) Less Liability Trasferred for Immediate Recognition: | | \$ (65,798) | | |
| i) Difference between Expected and Actual - Experience (Gain)/Loss | | \$ 894,934 | | |
| j) Difference between Actual Total Pension Cost Before and After Act 2019-132 - Benefit Change (Gain)/Loss | | | \$ - | |
| k) Difference between Actual Total Pension Cost Before and After 2020 Experience Study - Assumption Change (Gain)/Loss | | | | \$ 1,228,399 |

Actuarial Assumptions

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

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

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



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

Actuarial Assumptions (Continued)

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

The Board of Control accepted and approved these changes.

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

| | Target Allocation | Long-Term Expected Rate of Return* |
|---------------------------------------|------------------------------|---|
| Fixed Income | 15.0% | 2.80% |
| U.S. Large Stocks | 32.0% | 8.00% |
| U.S. Mid Stocks | 9.0% | 10.00% |
| U.S. Small Stocks | 4.0% | 11.00% |
| International Developed Market Stocks | 12.0% | 9.50% |
| International Emerging Market Stocks | 3.0% | 11.00% |
| Alternatives | 10.0% | 10.10% |
| Real Estate | 10.0% | 6.50% |
| Cash equivalents | 5.0% | 1.50% |
| Total | 100.0% | |

* Includes assumed rate of inflation of 2.00.%

Discount Rate

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



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

Changes in Net Pension Liability

| | Total Pension Liability | Increase/Decrease Plan Fiduciary Net Position | Net Pension Liability (Asset) |
|---|----------------------------|---|----------------------------------|
| Electric System | | | |
| Balances at September 30, 2020 | \$ 73,316,243 | \$ 36,565,114 | \$ 36,751,129 |
| Changes for the year: | | | |
| Service cost | 905,233 | | 905,233 |
| Interest | 5,439,756 | | 5,439,756 |
| Changes of benefit terms | - | | - |
| Changes of assumptions | 2,056,031 | | 2,056,031 |
| Difference between expected and actual experience | 1,927,057 | | 1,927,057 |
| Contributions - employer | | 2,619,505 | (2,619,505) |
| Contributions - employee | | 835,829 | (835,829) |
| Net investment income | | 7,927,181 | (7,927,181) |
| Benefits payments, including refunds of employee contributions | (5,340,121) | (5,340,121) | - |
| Administrative expense | - | - | - |
| Transfer Among Employees | 149,534 | 149,534 | - |
| Net Changes | 5,137,490 | 6,191,928 | (1,054,438) |
| Balances at September 30, 2021 | \$ 78,453,733 | \$ 42,757,042 | \$ 35,696,691 |



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

Changes in Net Pension Liability (Continued)

| | Total Pension Liability | Increase/Decrease Plan Fiduciary Net Position | Net Pension Liability (Asset) |
|---|----------------------------|---|----------------------------------|
| Gas System | | | |
| Balances at September 30, 2020 | \$ 111,824,045 | \$ 72,221,254 | \$ 39,602,791 |
| Changes for the year: | | | |
| Service cost | 2,158,784 | | 2,158,784 |
| Interest | 8,367,405 | | 8,367,405 |
| Changes of benefit terms | - | | - |
| Changes of assumptions | 4,009,854 | | 4,009,854 |
| Difference between expected and actual experience | 2,129,259 | | 2,129,259 |
| Contributions - employer | | 2,931,174 | (2,931,174) |
| Contributions - employee | | 1,725,732 | (1,725,732) |
| Net investment income | | 15,867,324 | (15,867,324) |
| Benefits payments, including refunds of employee contributions | (6,312,885) | (6,312,885) | - |
| Administrative expense | - | - | - |
| Transfer Among Employees | 120,158 | 120,158 | - |
| Net Changes | 10,472,575 | 14,331,503 | (3,858,928) |
| Balances at September 30, 2021 | \$ 122,296,620 | \$ 86,552,757 | \$ 35,743,863 |



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

Changes in Net Pension Liability (Continued)

| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
|---|----------------------------|--------------------------------|----------------------------------|
| Water System | | | |
| Balances at September 30, 2020 | \$ 38,904,490 | \$ 21,225,694 | \$ 17,678,796 |
| Changes for the year: | | | |
| Service cost | 520,085 | | 520,085 |
| Interest | 2,894,050 | | 2,894,050 |
| Changes of benefit terms | - | | - |
| Changes of assumptions | 1,228,399 | | 1,228,399 |
| Difference between expected and actual experience | 894,934 | | 894,934 |
| Contributions - employer | | 1,201,512 | (1,201,512) |
| Contributions - employee | | 469,195 | (469,195) |
| Net investment income | | 4,598,692 | (4,598,692) |
| Benefits payments, including refunds of employee contributions | (2,638,862) | (2,638,862) | - |
| Administrative expense | - | - | - |
| Transfer Among Employees | (65,798) | (65,798) | - |
| Net Changes | 2,832,808 | 3,564,739 | (731,931) |
| Balances at September 30, 2021 | \$ 41,737,298 | \$ 24,790,433 | \$ 16,946,865 |

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

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

| | 1% Decrease 6.45% | Discount Rate 7.45% | 1% Increase 8.45% |
|-----------------|----------------------|------------------------|----------------------|
| Electric | \$ 45,014,773 | \$ 35,696,691 | \$ 27,880,452 |
| Gas | 51,768,730 | 35,743,863 | 22,351,031 |
| Water | 21,986,401 | 16,946,865 | 12,709,835 |



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

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2021. The auditor’s report dated April 30, 2022, 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.rsaal.gov/index.php/employers/financial-reports/gasb-68-reports/.

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

For the year ended September 30, 2022, the City recognized the following pension expense.

| | Pension Expense |
|-----------------|-----------------|
| Electric System | \$ 3,120,267 |
| Gas System | \$ 3,196,506 |
| Water System | \$ 1,545,782 |

At September 30, 2022, the Utilities reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:



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

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

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|---|-------------------------------------|------------------------------------|
| Electric System | | |
| Difference between expected and actual experience | \$ 3,233,995 | \$ 492,111 |
| Changes of assumptions | 2,009,727 | - |
| Net difference between projected and actual earnings on plan investments | - | 3,070,580 |
| Employers contributions subsequent to the measurement date | 3,233,519 | - |
| Total | \$ 8,477,241 | \$ 3,562,691 |

Gas System

| | | |
|---|----------------------|---------------------|
| Difference between expected and actual experience | \$ 4,760,820 | \$ 416,162 |
| Changes of assumptions | 4,336,971 | - |
| Net difference between projected and actual earnings on plan investments | - | 6,257,650 |
| Employers contributions subsequent to the measurement date | 3,339,201 | - |
| Total | \$ 12,436,992 | \$ 6,673,812 |

Water System

| | | |
|---|---------------------|---------------------|
| Difference between expected and actual experience | \$ 1,968,802 | \$ - |
| Changes of assumptions | 1,339,962 | - |
| Net difference between projected and actual earnings on plan investments | - | 1,780,300 |
| Employers contributions subsequent to the measurement date | 1,448,405 | - |
| Total | \$ 4,757,169 | \$ 1,780,300 |



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

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

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows

| Year Ending September 30, | Electric System | Gas System | Water System |
|---------------------------|-----------------|--------------|--------------|
| 2023 | \$ 492,163 | \$ 421,371 | \$ 366,369 |
| 2024 | 407,854 | 600,231 | 406,768 |
| 2025 | (146,626) | (323,289) | (7,474) |
| 2026 | (369,462) | (922,708) | (141,125) |
| 2027 | 680,002 | 1,118,877 | 371,009 |
| Thereafter | 617,100 | 1,529,497 | 532,917 |
| Total | \$ 1,681,031 | \$ 2,423,979 | \$ 1,528,464 |

Note 8 – Property and Rights Held Under Deferred Compensation Plan

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



Note 9 – Post-Employment Benefits Other Than Pension Benefits

General Information about the OPEB Plan

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

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

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

Employees Covered by Benefit Terms – The Utilities provides certain post-employment health and life insurance benefits to all employees who retire from the Utilities under the provisions of the qualified plan and a minimum of 20 years of service. At September 30, 2022, the following employees were covered by the benefit terms:

| | |
|--|------|
| Inactive members or beneficiaries currently receiving benefits | 373 |
| Inactive members entitled to but not yet receiving benefits | 16 |
| Inactive members not entitled to receive benefits | 33 |
| Active members | 715 |
| <hr/> | |
| Total membership | 1137 |
| <hr/> | |

Contributions – The benefits are not provided under any statutory or contractual authority, but rather by administrative decision. For 2022, the Utilities contributed \$3,318,011.

Net OPEB Liability

The Utilities’ net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021.



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

Net OPEB Liability (Continued)

Actuarial Assumptions – The total OPEB liability in the September 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

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

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, 2020. In addition to the actuarial methods and assumptions of the September 30, 2020, actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually using the payroll growth assumptions.
- Active employees do not explicitly contribute to the Plan.



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

Net OPEB Liability (Continued)

- In all years, the employer is assumed to contribute the lesser of the benefits due to plan members and the average of the last 5 years of contributions to the Plan through deposits to the Trust and direct payment of benefits to plan members as the benefits come due. The employer is assumed to have the ability and willingness to make contributions to the Trust and benefit payments from its own resources for all periods in the projection.
- Projected assets do not include employer contributions that fund the estimated service costs of future employees.
- Cash flows occur mid-year.

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

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



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

Net OPEB Liability (Continued)

| | | Increase/Decrease | |
|---------------------------------------|-------------------------|--------------------------------|-----------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
| Electric System | | | |
| Balances at September 30, 2021 | \$ 29,912,146 | \$ 13,636,681 | \$ 16,275,465 |
| Changes for the year | | | |
| Service Cost | 669,060 | | 669,060 |
| Interest on TOL and Cash Flows | 1,466,100 | | 1,466,100 |
| Change in benefit terms | | | - |
| Differences between expected and actu | (103,803) | | (103,803) |
| Change in assumptions | | | - |
| Contributions - employer | | 1,741,624 | (1,741,624) |
| Net investment income | | (2,310,427) | 2,310,427 |
| Benefit payments | (954,274) | (954,274) | - |
| Administrative expense | | (19,220) | 19,220 |
| Other | (118,935) | (54,854) | (64,081) |
| Net changes | 958,148 | (1,597,151) | 2,555,299 |
| Balances at September 30, 2022 | \$ 30,870,294 | \$ 12,039,530 | \$ 18,830,764 |
| Gas System | | | |
| Balances at September 30, 2021 | \$ 13,249,909 | \$ 6,040,515 | \$ 7,209,394 |
| Changes for the year | | | |
| Service Cost | 298,266 | | 298,266 |
| Interest on TOL and Cash Flows | 653,586 | | 653,586 |
| Change in benefit terms | | | - |
| Differences between expected and actu | (46,282) | | (46,282) |
| Change in assumptions | | | - |
| Contributions - employer | | 776,415 | (776,415) |
| Net investment income | | (1,029,987) | 1,029,987 |
| Benefit payments | (425,415) | (425,415) | - |
| Administrative expense | | (8,871) | 8,871 |
| Other | 31,754 | 14,556 | 17,198 |
| Net changes | 511,909 | (673,302) | 1,185,211 |
| Balances at September 30, 2022 | \$ 13,761,818 | \$ 5,367,213 | \$ 8,394,605 |



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

Net OPEB Liability (Continued)

| | Increase/Decrease | | |
|---------------------------------------|-------------------------|--------------------------------|-----------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
| Water System | | | |
| Balances at September 30, 2021 | \$ 13,597,929 | \$ 6,199,175 | \$ 7,398,754 |
| Changes for the year | | | |
| Service Cost | 307,316 | - | 307,316 |
| Interest on TOL and Cash Flows | 673,417 | - | 673,417 |
| Change in benefit terms | - | - | - |
| Differences between expected and actu | (47,686) | - | (47,686) |
| Change in assumptions | - | - | - |
| Contributions - employer | - | 799,972 | (799,972) |
| Net investment income | - | (1,061,238) | 1,061,238 |
| Benefit payments | (438,322) | (438,322) | - |
| Administrative expense | - | (9,141) | 9,141 |
| Other | 87,160 | 39,618 | 47,542 |
| Net changes | 581,885 | (669,111) | 1,250,996 |
| Balances at September 30, 2022 | \$ 14,179,814 | \$ 5,530,064 | \$ 8,649,750 |

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

| | 1% Decrease (4.00%) | Current Discount Rate (5.00%) | 1% Increase (6.00%) |
|--------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB Liability | \$ 45,511,242 | \$ 35,875,119 | \$ 28,086,735 |

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

| | 1% Decrease | Current | 1% Increase |
|--------------------|---------------|---------------|---------------|
| Net OPEB Liability | \$ 26,275,684 | \$ 35,875,119 | \$ 48,323,965 |



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

Net OPEB Liability (Continued)

At September 30, 2022 the Huntsville Utilities reported deferred outflows of resources and deferred inflows of resources related to OPEB of the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Electric System | | |
| Differences between expected and actual experience | \$ 514,273 | \$ 1,279,134 |
| Changes of assumptions or other inputs | - | 3,589,252 |
| Net difference between projected and actual earnings on OPEB plan investments | 1,600,362 | - |
| Total | \$ 2,114,635 | \$ 4,868,386 |

Gas System

| | | |
|---|-------------------|---------------------|
| Differences between expected and actual experience | \$ 229,263 | \$ 570,237 |
| Changes of assumptions or other inputs | - | 1,599,908 |
| Net difference between projected and actual earnings on OPEB plan investments | 713,363 | - |
| Total | \$ 942,626 | \$ 2,170,145 |

Water System

| | | |
|---|-------------------|---------------------|
| Differences between expected and actual experience | \$ 236,219 | \$ 587,539 |
| Changes of assumptions or other inputs | - | 1,648,545 |
| Net difference between projected and actual earnings on OPEB plan investments | 735,048 | - |
| Total | \$ 971,267 | \$ 2,236,083 |

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

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



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

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

| Year Ending September 30, | Electric System | Gas System | Water System |
|---------------------------|-----------------|----------------|----------------|
| 2023 | \$ (733,095) | \$ (326,813) | \$ (336,729) |
| 2024 | (772,647) | (344,446) | (354,897) |
| 2025 | (806,264) | (359,431) | (370,338) |
| 2026 | (195,817) | (87,295) | (89,943) |
| 2027 | (188,676) | (84,112) | (86,664) |
| Thereafter | (57,172) | (25,487) | (26,260) |
| Total | \$ (2,753,671) | \$ (1,227,584) | \$ (1,264,831) |

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

Because the Utilities are component units of the City of Huntsville, they are not subject to income taxes, either at the federal or state level. The Electric System, however, does pay to the City of Huntsville a tax equivalent, which is determined by applying the current property tax rates to net plant in service at the end of the preceding year. The Natural Gas and Water Systems each pay a tax equivalent, which is a predetermined (6%) percentage of sales revenue. The tax equivalent for the year ended September 30, 2022, is as follows:

| | 2022 |
|--------------------|---------------|
| Electric System | \$ 17,701,209 |
| Natural Gas System | 3,389,975 |
| Water System | 2,892,313 |

Note 11 – 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 – Gas Purchase Commitments (Continued)

The Gas System has entered into a 3rd purchase contract with Tennessee Energy Acquisition Corporation to procure natural gas supply. Under the contract, the Gas System has committed to purchase 1,091,750 MMBtu per year through September 2031 at index less \$0.29.

The Gas System has priced the purchase contracts with Tennessee Energy Acquisition Corporation and Southeast Alabama Gas Supply District at \$4.045 per MMBtu for fiscal year 2023, \$3.455 per MMBtu for fiscal year 2024, and \$3.315 per MMBtu for fiscal year 2025.

Note 12 – Electric Purchase Commitments

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

Note 13 – Risk Management and Insurance Agreement

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

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

Coverage is provided as follows:

| | | |
|---|----|--------------|
| Blanket real and personal property | | |
| Real Property | \$ | 350,000,000 |
| Flood and Earthquake | | 10,000,000 |
| Blanket Crime | | 1,000,000 |
| Kidnap and Ransom/Active Shooter | | 1,000,000 |
| Cyber | | 3,000,000 |
| Automobile liability | | 1,000,000 |
| Public officials and employment liability | | |
| Electric | | 5,000,000 |
| Gas and Water | | 5,000,000 |
| Worker's compensation | | |
| Bodily injury (accident and disease) | | Statutory |
| Excess coverage per occurrence (SIR) | | 1,000,000 |
| Comprehensive general liability | | Self-Insured |



Note 13 – Risk Management and Insurance Agreement (Continued)

Employee and retiree group health coverage is provided under externally administered self-insurance plans. Liabilities for self-insured losses, including estimates of losses incurred but not reported, are estimated through the application of historical experience and current trends. The year-end accrual is based on paid claims by the incurred date. The following table sets out the changes in the claims related to employee group health coverage for 2022:

| | Electric System | Gas System | Water System |
|---------------------|--------------------|---------------|-----------------|
| Beginning balance | \$ 782,931 | \$ 147,432 | \$ 320,784 |
| Changes in estimate | (222,931) | 12,568 | (40,784) |
| Ending balance | \$ 560,000 | \$ 160,000 | \$ 280,000 |

Note 14 –Contingencies and Commitments

Contingencies

During the ordinary course of its operations, the Utilities are parties to various claims, legal actions, and complaints. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of management, the liabilities which may arise from such actions would not result in losses which would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial condition of the Utilities or results of activities.

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

Construction Commitment

The Utilities has five outstanding construction contracts at September 30, 2022. One construction contract with B H Craig Construction Company for rehabilitation of the South Parkway Water Treatment Plant, one with Sparks Energy for multiple electric line construction projects, one with Apel Machine & Supply Co. for the AL Highway 20 Water & Gas Main Extension Project, one for Centerline Contracting Inc. for a waterline relocation project along Memorial Parkway from Mastin Lake to Alabama A&M, and one construction contract with Rast Construction, Inc. for the Greenbrier Gate Station construction. The total contract for each vendor is as follows:



Note 14 –Contingencies and Commitments (Continued)

Construction Commitment (Continued)

| Construction Contracts | PO value | Amount Pd in FY22 | Amount Remaining |
|-------------------------------|-----------------|--------------------------|-------------------------|
| B H Craig Construction Co. | \$ 18,450,230 | \$ 10,939,774 | \$ 7,510,456 |
| Sparks Energy | \$ 5,346,215 | \$ 5,111,875 | \$ 234,340 |
| Apel Machine | \$ 4,562,765 | \$ 615,845 | \$ 3,946,920 |
| Centerline Contracting Inc. | \$ 3,482,517 | \$ 2,904,517 | \$ 578,000 |
| Rast Construction | \$ 1,922,958 | \$ 1,619,849 | \$ 303,109 |

Note 15 – Customer Deposits

During 2022, the Utilities had the following Customer Deposits:

| | Deposits | Accrued Interest | Total |
|-----------------|---------------------|-------------------------|----------------------|
| Electric System | \$43,821,414 | \$ 467,409 | \$ 44,288,823 |
| Gas System | \$ 4,115,790 | \$ 2,453 | \$ 4,118,243 |
| Water Water | \$ 5,420,156 | \$ 3,607 | \$ 5,423,763 |
| Total | \$53,357,360 | \$ 473,469 | \$ 53,830,829 |

During 2022, the Utilities had the following Customer Deposit transactions:

| | Beg Balance | New Deposits | Returned Deposits | Deposit Allocations | Ending Balance |
|--------------|---------------------|----------------------|--------------------------|----------------------------|-----------------------|
| Elec | \$40,584,424 | \$ 11,528,961 | \$ (8,388,954) | \$ 96,983 | \$ 43,821,414 |
| Gas | \$ 4,590,229 | \$ (271,268) | \$ (948,003) | \$ 744,832 | \$ 4,115,790 |
| Water | \$ 4,286,359 | \$ 2,932,128 | \$ (956,238) | \$ (842,093) | \$ 5,420,156 |
| Total | \$49,461,012 | \$ 14,189,821 | \$ (10,293,195) | \$ (278) | \$ 53,357,360 |

As of September 30, 2022, the Utilities’ deposits were entirely covered by the FDIC or by the SAFE Program.

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



Note 16 – Risks and Uncertainties

In March 2020, the World Health Organization made the assessment that the outbreak of the novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the ongoing operating activities and the future results of the Board. The occurrence and extent of such an impact will depend on future developments, including (i) the spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain as of December 31, 2022

Required Supplementary Information

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



| As of and for the year ended September 30, | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Electric System | | | | | | | | |
| Total Pension Liability | | | | | | | | |
| Service cost | \$ 905,233 | \$ 814,975 | \$ 800,172 | \$ 803,722 | \$ 784,310 | \$ 719,480 | \$ 711,294 | \$ 731,584 |
| Interest | 5,439,756 | 5,255,911 | 5,253,871 | 5,095,499 | 4,956,251 | 4,837,042 | 4,638,804 | 4,509,630 |
| Changes of benefit terms | - | 339,845 | - | - | - | - | - | - |
| Difference between expected and actual experience | 1,927,057 | 1,309,020 | (891,120) | 1,203,286 | 724,096 | 577,633 | 1,097,266 | - |
| Changes of assumptions | 2,056,031 | - | - | 373,579 | - | 1,593,475 | - | - |
| Benefit payments, including refunds of employee contributions | (5,340,121) | (5,297,963) | (5,037,600) | (4,973,859) | (4,400,918) | (4,124,002) | (3,814,789) | (3,438,283) |
| Transfer among employers | 149,534 | (13,111) | 31,357 | 13,353 | 19,486 | 23,428 | - | - |
| Net change in total pension liability | 5,137,490 | 2,408,677 | 156,680 | 2,515,580 | 2,083,225 | 3,627,056 | 2,632,575 | 1,802,931 |
| Total pension liability - beginning | 73,316,243 | 70,907,566 | 70,750,886 | 68,235,306 | 66,152,081 | 62,525,025 | 59,892,450 | 58,089,519 |
| Total pension liability - ending (a) | \$78,453,733 | \$73,316,243 | \$70,907,566 | \$70,750,886 | \$68,235,306 | \$66,152,081 | \$62,525,025 | \$59,892,450 |
| Plan Fiduciary Net Position | | | | | | | | |
| Contribution - employer | \$ 2,619,505 | \$ 2,455,480 | \$ 2,305,591 | \$ 2,182,899 | \$ 2,147,571 | \$ 1,991,515 | \$ 1,891,153 | \$ 1,956,167 |
| Contribution - member | 835,829 | 685,275 | 661,819 | 614,210 | 595,914 | 589,360 | 548,691 | 544,943 |
| Net investment income | 7,927,181 | 2,035,146 | 944,320 | 3,293,140 | 4,254,699 | 3,217,256 | 387,215 | 3,616,105 |
| Benefit payments, including refunds of employee contributions | (5,340,121) | (5,297,963) | (5,037,600) | (4,973,859) | (4,400,918) | (4,124,002) | (3,814,789) | (3,438,283) |
| Transfer among employers | 149,534 | (13,111) | 31,357 | 13,353 | 19,486 | 23,428 | 25,241 | - |
| Net change in plan fiduciary net position | \$ 6,191,928 | \$ (135,173) | \$ (1,094,513) | \$ 1,129,743 | \$ 2,616,752 | \$ 1,697,557 | \$ (962,489) | \$ 2,678,932 |
| Plan fiduciary net position - beginning | 36,565,114 | 36,700,287 | 37,794,800 | 36,665,057 | 34,048,305 | 32,350,748 | 33,313,237 | 30,634,305 |
| Plan fiduciary net position - ending (b) | \$42,757,042 | \$36,565,114 | \$36,700,287 | \$37,794,800 | \$36,665,057 | \$34,048,305 | \$32,350,748 | \$33,313,237 |
| Net pension liability - ending (a) - (b) | \$35,696,691 | \$36,751,129 | \$34,207,279 | \$32,956,086 | \$31,570,249 | \$32,103,776 | \$30,174,277 | \$26,579,213 |
| Plan fiduciary net position as a percentage of the total pension liability | 54.50% | 49.87% | 51.76% | 53.42% | 53.73% | 51.47% | 51.74% | 55.62% |
| Covered payroll | \$30,301,880 | \$28,275,924 | \$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 payroll | 117.80% | 129.97% | 133.45% | 136.51% | 276.35% | 280.99% | 286.84% | 252.70% |

Note to Schedule

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

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



| As of and for the year ended September 30, | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|----------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|
| Gas System | | | | | | | | |
| Total Pension Liability | | | | | | | | |
| Service cost | \$ 2,158,784 | \$ 1,986,999 | \$ 1,965,511 | \$ 1,897,962 | \$ 1,882,258 | \$ 1,721,132 | \$ 1,573,503 | \$ 1,505,782 |
| Interest | 8,367,405 | 7,909,898 | 7,503,935 | 7,247,347 | 6,741,176 | 6,418,834 | 6,078,446 | 5,786,806 |
| Changes of benefit terms | - | 801,787 | - | - | - | - | - | - |
| Difference between expected and actual experience | 2,129,259 | 1,240,599 | 1,388,901 | (822,170) | 2,366,215 | 659,005 | 435,578 | - |
| Changes of assumptions | 4,009,854 | - | - | 586,214 | - | 1,964,837 | - | - |
| Benefit payments, including refunds of employee contributions | (6,312,885) | (5,781,718) | (5,340,052) | (4,681,062) | (4,251,400) | (3,866,137) | (3,799,232) | (3,494,950) |
| Transfer among employers | 120,158 | 49,673 | (25,216) | 40,750 | 7,819 | 42,460 | - | - |
| Net change in total pension liability | 10,472,575 | 6,207,238 | 5,493,079 | 4,269,041 | 6,746,068 | 6,940,131 | 4,288,295 | 3,797,638 |
| Total pension liability - beginning | 111,824,045 | 105,616,807 | 100,123,728 | 95,854,687 | 89,108,619 | 82,168,488 | 77,880,193 | 74,082,555 |
| Total pension liability - ending (a) | \$ 122,296,620 | \$ 111,824,045 | \$ 105,616,807 | \$ 100,123,728 | \$ 95,854,687 | \$ 89,108,619 | \$ 82,168,488 | \$ 77,880,193 |
| Plan Fiduciary Net Position | | | | | | | | |
| Contribution - employer | \$ 2,931,174 | \$ 2,832,971 | \$ 2,678,445 | \$ 2,545,068 | \$ 2,756,952 | \$ 2,756,354 | \$ 2,552,653 | \$ 2,501,138 |
| Contribution - member | 1,725,732 | 1,619,193 | 1,468,803 | 1,492,658 | 1,369,673 | 1,357,425 | 1,215,689 | 1,134,390 |
| Net investment income | 15,867,324 | 3,938,441 | 1,756,764 | 5,872,386 | 7,243,192 | 5,220,617 | 599,470 | 5,401,049 |
| Benefit payments, including refunds of employee contributions | (6,312,885) | (5,781,718) | (5,340,052) | (4,681,062) | (4,251,400) | (3,866,137) | (3,799,232) | (3,494,950) |
| Transfer among employers | 120,158 | 49,673 | (25,216) | 40,750 | 7,819 | 42,460 | 7,562 | 41,272 |
| Net change in plan fiduciary net position | \$ 14,331,503 | \$ 2,658,560 | \$ 538,744 | \$ 5,269,800 | \$ 7,126,236 | \$ 5,510,719 | \$ 576,142 | \$ 5,582,899 |
| Plan fiduciary net position - beginning | 72,221,254 | 69,562,694 | 69,023,950 | 63,754,150 | 56,627,914 | 51,117,195 | 50,541,053 | 44,958,154 |
| Plan fiduciary net position - ending (b) | \$ 86,552,757 | \$ 72,221,254 | \$ 69,562,694 | \$ 69,023,950 | \$ 63,754,150 | \$ 56,627,914 | \$ 51,117,195 | \$ 50,541,053 |
| Net pension liability - ending (a) - (b) | \$ 35,743,863 | \$ 39,602,791 | \$ 36,054,113 | \$ 31,099,778 | \$ 32,100,537 | \$ 32,480,705 | \$ 31,051,293 | \$ 27,339,140 |
| Plan fiduciary net position as a percentage of the total pension liability | 70.77% | 64.58% | 65.86% | 68.94% | 66.51% | 63.55% | 62.21% | 64.90% |
| Covered payroll | \$ 10,959,917 | \$ 11,119,528 | \$ 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 payroll | 326.13% | 356.16% | 441.99% | 401.81% | 121.05% | 122.47% | 127.68% | 122.89% |

Note to Schedule

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

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



| As of and for the year ended September 30, | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Water System | | | | | | | | |
| Total Pension Liability | | | | | | | | |
| Service cost | \$ 520,085 | \$ 467,551 | \$ 455,649 | \$ 485,793 | \$ 477,197 | \$ 441,272 | \$ 402,811 | \$ 386,061 |
| Interest | 2,894,050 | 2,827,623 | 2,715,269 | 2,610,062 | 2,488,908 | 2,345,199 | 2,243,404 | 2,164,859 |
| Changes of benefit terms | - | 204,118 | - | - | - | - | - | - |
| Difference between expected and actual experience | 894,934 | 22,946 | 1,128,763 | 156,748 | 453,854 | 976,221 | 194,984 | - |
| Changes of assumptions | 1,228,399 | - | - | 200,946 | - | 684,563 | - | - |
| Benefit payments, including refunds of employee contributions | (2,638,862) | (2,523,951) | (2,258,843) | (2,112,418) | (1,645,720) | (1,564,096) | (1,573,407) | (1,564,812) |
| Transfer among employers | (65,798) | (78,150) | (449,141) | 317,095 | 22,388 | (42,396) | - | - |
| Net change in total pension liability | 2,832,808 | 920,137 | 1,591,697 | 1,658,226 | 1,796,627 | 2,840,763 | 1,267,792 | 986,108 |
| Total pension liability - beginning | 38,904,490 | 37,984,353 | 36,392,656 | 34,734,430 | 32,937,803 | 30,097,040 | 28,829,248 | 27,843,140 |
| Total pension liability - ending (a) | \$ 41,737,298 | \$ 38,904,490 | \$ 37,984,353 | \$ 36,392,656 | \$ 34,734,430 | \$ 32,937,803 | \$ 30,097,040 | \$ 28,829,248 |
| Plan Fiduciary Net Position | | | | | | | | |
| Contribution - employer | \$ 1,201,512 | \$ 1,030,459 | \$ 953,170 | \$ 944,613 | \$ 1,063,548 | \$ 983,775 | \$ 884,789 | \$ 822,264 |
| Contribution - member | 469,195 | 397,466 | 370,519 | 365,308 | 362,182 | 350,968 | 334,737 | 291,847 |
| Net investment income | 4,598,692 | 1,179,068 | 548,595 | 1,888,916 | 2,355,477 | 1,722,031 | 199,105 | 1,828,686 |
| Benefit payments, including refunds of employee contributions | (2,638,862) | (2,523,951) | (2,258,843) | (2,112,418) | (1,645,720) | (1,564,096) | (1,573,407) | (1,564,812) |
| Transfer among employers | (65,798) | (78,150) | (449,141) | 317,095 | 22,388 | (42,396) | 480,153 | (275,616) |
| Net change in plan fiduciary net position | \$ 3,564,739 | \$ 4,892 | \$ (835,700) | \$ 1,403,514 | \$ 2,157,875 | \$ 1,450,282 | \$ 325,377 | \$ 1,102,369 |
| Plan fiduciary net position - beginning | 21,225,694 | 21,220,802 | 22,056,502 | 20,652,988 | 18,495,113 | 17,044,831 | 16,719,454 | 15,617,085 |
| Plan fiduciary net position - ending (b) | \$ 24,790,433 | \$ 21,225,694 | \$ 21,220,802 | \$ 22,056,502 | \$ 20,652,988 | \$ 18,495,113 | \$ 17,044,831 | \$ 16,719,454 |
| Net pension liability - ending (a) - (b) | \$ 16,946,865 | \$ 17,678,796 | \$ 16,763,551 | \$ 14,336,154 | \$ 14,081,442 | \$ 14,442,690 | \$ 13,052,209 | \$ 12,109,794 |
| Plan fiduciary net position as a percentage of the total pension liability | 59.40% | 54.56% | 55.87% | 60.61% | 59.46% | 56.15% | 56.63% | 57.99% |
| Covered payroll | \$ 13,236,176 | \$ 12,906,129 | \$ 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 payroll | 128.03% | 136.98% | 153.29% | 140.86% | 198.99% | 203.21% | 202.71% | 206.27% |

Note to Schedule

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

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



Electric Systems

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

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

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2022 were based on the September 30, 2019, actuarial valuation.

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

| | |
|-------------------------------|--|
| Actuarial cost method | Entry Age |
| Amortization method | Level percent closed |
| Remaining amortization period | 26.0 years |
| Asset valuation method | Five years smoothed market |
| Inflation | 2.75% |
| Salary increases | 3.25 – 5.00%, including inflation |
| Investment rate of return | 7.70%, net of pension plan investment expense, including inflation |

Note to Schedule

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

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



Gas Systems

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

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

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2022 were based on the September 30, 2019, actuarial valuation.

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

| | |
|-------------------------------|--|
| Actuarial cost method | Entry Age |
| Amortization method | Level percent closed |
| Remaining amortization period | 24.5 years |
| Asset valuation method | Five years smoothed market |
| Inflation | 2.75% |
| Salary increases | 3.25 – 5.00%, including inflation |
| Investment rate of return | 7.70%, net of pension plan investment expense, including inflation |

Note to Schedule

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

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



Water Systems

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

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

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2022 were based on the September 30, 2019, actuarial valuation.

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

| | |
|-------------------------------|--|
| Actuarial cost method | Entry Age |
| Amortization method | Level percent closed |
| Remaining amortization period | 27.5 years |
| Asset valuation method | Five years smoothed market |
| Inflation | 2.75% |
| Salary increases | 3.25 – 5.00%, including inflation |
| Investment rate of return | 7.70%, net of pension plan investment expense, including inflation |

Note to Schedule

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

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



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

*Employer's covered payroll for FY2022 is the total covered payroll for the 12-month period of the underlying financial statements.

Note to Schedule

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

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



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

*Employer's covered payroll for FY2022 is the total covered payroll for the 12-month period of the underlying financial statements.

Note to Schedule

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

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



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

*Employer's covered payroll for FY2022 is the total covered payroll for the 12-month period of the underlying financial statements.

Note to Schedule

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

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



| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|------------------|---------------------|---------------------|-----------------------|---------------------|
| Electric System | | | | | |
| Actuarially determined contribution | \$ 1,832,502 | \$ 1,778,802 | \$ 1,717,709 | \$ 1,792,875 | \$ 1,792,875 |
| Contributions in relation to the actuarially determined contribution | 1,741,624 | 1,987,975 | 2,278,959 | 2,897,734 | 1,911,402 |
| Contribution deficiency (excess) | \$ 90,878 | \$ (209,173) | \$ (561,250) | \$ (1,104,859) | \$ (118,527) |
| Covered payroll* | \$ 25,398,735 | \$ 25,500,350 | \$ 24,428,733 | \$ 23,335,935 | \$ 22,623,982 |
| Contributions as a percentage of covered payroll | 6.86% | 7.80% | 9.33% | 12.42% | 8.45% |
| | 2022 | 2020 | 2020 | 2019 | 2018 |
| Gas System | | | | | |
| Actuarially determined contribution | \$ 787,803 | \$ 787,803 | \$ 872,187 | \$ 910,354 | \$ 910,354 |
| Contributions in relation to the actuarially determined contribution | 776,415 | 880,443 | 1,157,168 | 1,471,359 | 970,537 |
| Contribution deficiency (excess) | \$ 11,388 | \$ (92,640) | \$ (284,981) | \$ (561,005) | \$ (60,183) |
| Covered payroll* | \$ 11,666,289 | \$ 11,293,703 | \$ 12,406,979 | \$ 11,849,098 | \$ 11,487,595 |
| Contributions as a percentage of covered payroll | 6.66% | 7.80% | 9.33% | 12.42% | 8.45% |
| | 2022 | 2020 | 2020 | 2019 | 2018 |
| Water System | | | | | |
| Actuarially determined contribution | \$ 841,715 | \$ 808,731 | \$ 785,441 | \$ 819,811 | \$ 819,811 |
| Contributions in relation to the actuarially determined contribution | 799,972 | 903,831 | 1,042,078 | 1,325,020 | 874,009 |
| Contribution deficiency (excess) | \$ 41,743 | \$ (95,100) | \$ (256,637) | \$ (505,209) | \$ (54,198) |
| Covered payroll* | \$ 11,322,736 | \$ 11,593,707 | \$ 11,170,302 | \$ 10,670,608 | \$ 10,345,060 |
| Contributions as a percentage of covered payroll | 7.07% | 7.80% | 9.33% | 12.42% | 8.45% |

*Employer's covered payroll for FY2022 is the total covered payroll for the 12-month period of the underlying financial statements.

Note to Schedule

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

City of Huntsville Electric, Natural Gas, and Water Systems

Other Information

Unaudited – Statistical Highlights – Electric System



STATISTICAL HIGHLIGHTS-ELECTRIC SYSTEM

Years Ending September 30

| CATEGORIES | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| OPERATING REVENUE | | | | | | | |
| Residential | \$ 310,265,956 | \$ 269,671,311 | \$ 252,901,003 | \$ 262,073,009 | \$ 260,774,819 | \$ 231,572,251 | \$ 233,653,455 |
| Large Commercial and Industrial | 225,508,275 | 195,754,255 | 192,138,939 | 203,600,012 | 200,216,020 | 200,194,454 | 197,260,436 |
| Small Commercial | 46,792,377 | 41,782,103 | 39,767,463 | 42,286,445 | 42,397,969 | 36,066,016 | 33,726,964 |
| Public Street and Highway Lighting | 5,861,314 | 5,296,917 | 5,059,544 | 5,111,686 | 4,777,392 | 4,863,964 | 4,714,640 |
| Other Operating Revenue | 27,907,974 | 26,752,153 | 20,868,136 | 20,190,347 | 17,256,557 | 13,376,089 | 11,045,344 |
| Total Operating Revenue | \$ 616,335,896 | \$ 539,256,739 | \$ 510,735,085 | \$ 533,261,499 | \$ 525,422,757 | \$ 486,072,774 | \$ 480,400,839 |
| CUSTOMERS | | | | | | | |
| Residential | 184,972 | 178,050 | 172,391 | 168,699 | 164,945 | 162,931 | 160,556 |
| Large Commercial and Industrial | 3,042 | 2,880 | 2,876 | 2,894 | 2,938 | 2,872 | 3,541 |
| Small Commercial | 19,957 | 19,561 | 19,245 | 18,992 | 18,569 | 18,485 | 17,599 |
| Public Street and Highway Lighting | 733 | 722 | 715 | 663 | 653 | 640 | 642 |
| Total Customers | 208,704 | 201,213 | 195,227 | 191,248 | 187,105 | 184,928 | 182,338 |
| KWH SALES (THOUSANDS) | | | | | | | |
| Residential | 2,698,689 | 2,588,621 | 2,528,245 | 2,560,331 | 2,567,626 | 2,298,238 | 2,421,246 |
| Large Commercial and Industrial | 2,201,919 | 1,985,776 | 2,128,807 | 2,247,785 | 2,283,507 | 2,252,088 | 2,336,682 |
| Small Commercial | 388,593 | 505,460 | 359,651 | 378,182 | 375,896 | 340,273 | 326,349 |
| Public Street and Highway Lighting | 39,425 | 38,212 | 36,727 | 37,937 | 34,300 | 35,604 | 35,779 |
| Total KWH Sales (Thousands) | 5,328,626 | 5,118,069 | 5,053,430 | 5,224,235 | 5,261,329 | 4,926,203 | 5,120,055 |
| OPERATING REVENUE/CUSTOMER | | | | | | | |
| Residential | \$ 1,677.37 | \$ 1,514.58 | \$ 1,467.02 | \$ 1,553.49 | \$ 1,580.98 | \$ 1,421.29 | \$ 1,455.28 |
| Large Commercial and Industrial | \$ 74,131.58 | \$ 67,970.23 | \$ 66,807.70 | \$ 70,352.46 | \$ 68,147.05 | \$ 69,705.59 | \$ 55,707.55 |
| Small Commercial | \$ 2,344.66 | \$ 2,135.99 | \$ 2,066.38 | \$ 2,226.54 | \$ 2,283.27 | \$ 1,951.10 | \$ 1,916.41 |
| Public Street and Highway Lighting | \$ 7,996.34 | \$ 7,336.45 | \$ 7,076.29 | \$ 7,709.93 | \$ 7,316.07 | \$ 7,599.94 | \$ 7,343.68 |
| OPERATING REVENUE/KWH | | | | | | | |
| Residential | \$ 0.115 | \$ 0.104 | \$ 0.100 | \$ 0.102 | \$ 0.102 | \$ 0.101 | \$ 0.097 |
| Large Commercial and Industrial | \$ 0.102 | \$ 0.099 | \$ 0.090 | \$ 0.091 | \$ 0.088 | \$ 0.089 | \$ 0.084 |
| Small Commercial | \$ 0.120 | \$ 0.083 | \$ 0.111 | \$ 0.112 | \$ 0.113 | \$ 0.106 | \$ 0.103 |
| Public Street and Highway Lighting | \$ 0.149 | \$ 0.139 | \$ 0.138 | \$ 0.135 | \$ 0.139 | \$ 0.137 | \$ 0.132 |
| KWH/CUSTOMER | | | | | | | |
| Residential | 14,589.72 | 14,538.73 | 14,665.76 | 15,176.92 | 15,566.56 | 14,105.59 | 15,080.38 |
| Large Commercial and Industrial | 723,839.25 | 689,505.56 | 740,197.15 | 776,705.25 | 777,231.79 | 784,153.27 | 659,893.18 |
| Small Commercial | 19,471.51 | 25,840.19 | 18,688.02 | 19,912.70 | 20,243.20 | 18,408.04 | 18,543.60 |
| Public Street and Highway Lighting | 53,785.81 | 52,925.21 | 51,366.43 | 57,220.21 | 52,526.80 | 55,631.32 | 55,730.28 |
| OPERATING REVENUE | | | | | | | |
| Residential | 50.3% | 50.0% | 49.5% | 49.1% | 49.6% | 47.6% | 48.6% |
| Large Commercial and Industrial | 36.6% | 36.3% | 37.6% | 38.2% | 38.1% | 41.2% | 41.1% |
| Small Commercial | 7.6% | 7.7% | 7.8% | 7.9% | 8.1% | 7.4% | 7.0% |
| Public Street and Highway Lighting | 1.0% | 1.0% | 1.0% | 1.0% | 0.9% | 1.0% | 1.0% |
| Other Operating Revenue | 4.5% | 5.0% | 4.1% | 3.8% | 3.3% | 2.8% | 2.3% |
| CUSTOMERS | | | | | | | |
| Residential | 88.6% | 88.5% | 88.3% | 88.2% | 88.2% | 88.1% | 88.1% |
| Large Commercial and Industrial | 1.5% | 1.4% | 1.5% | 1.5% | 1.6% | 1.6% | 1.9% |
| Small Commercial | 9.6% | 9.7% | 9.9% | 9.9% | 9.9% | 10.0% | 9.7% |
| Public Street and Highway Lighting | 0.4% | 0.4% | 0.4% | 0.3% | 0.3% | 0.3% | 0.4% |
| Percentage of kWh Sold | | | | | | | |
| Residential | 50.6% | 50.6% | 50.0% | 49.0% | 48.8% | 46.7% | 47.3% |
| Large Commercial and Industrial | 41.3% | 38.8% | 42.1% | 43.0% | 43.4% | 45.7% | 45.6% |
| Small Commercial | 7.3% | 9.9% | 7.1% | 7.2% | 7.1% | 6.9% | 6.4% |
| Public Street and Highway Lighting | 0.7% | 0.7% | 0.7% | 0.7% | 0.7% | 0.7% | 0.7% |

City of Huntsville Electric, Natural Gas, and Water Systems

Other Information

Unaudited – Statistical Highlights – Electric System



2022

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

2021

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

2020

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

City of Huntsville Electric, Natural Gas, and Water Systems

Other Information

Unaudited – Statistical Highlights – Gas System



STATISTICAL HIGHLIGHTS-GAS SYSTEM

Years Ending September 30

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

City of Huntsville Electric, Natural Gas, and Water Systems

Other Information

Unaudited – Statistical Highlights – Gas System



2022

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

2021

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

2020

| <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 SVCS INC | 110,317,600 CUF |
| INTERNATIONAL PAPER CO | \$ 422,837 | POLARIS INDUSTRIES INC | 102,861,600 CUF |
| ALABAMA A&M UNIV | \$ 393,595 | HUNTSVILLE SCHOOLS | 102,178,300 CUF |
| KOHLER CO | \$ 307,918 | HUNTSVILLE CITY GSD | 78,447,100 CUF |

City of Huntsville Electric, Natural Gas, and Water Systems

Other Information

Unaudited – Statistical Highlights – Water System



STATISTICAL HIGHLIGHTS-WATER SYSTEM

Years Ending September 30

| CATEGORIES | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| OPERATING REVENUE | | | | | | | |
| Residential | \$ 26,701,325 | \$ 26,033,508 | \$ 25,748,041 | \$ 25,688,962 | \$ 24,805,904 | \$ 25,277,101 | \$ 23,387,774 |
| Commercial | 14,821,791 | 13,541,504 | 12,832,180 | 12,964,076 | 12,361,612 | 12,701,204 | 12,083,615 |
| Industrial | 2,104,056 | 1,886,880 | 1,894,495 | 1,961,713 | 2,001,883 | 2,144,687 | 2,138,113 |
| Government | 2,869,056 | 2,837,639 | 2,616,476 | 2,646,627 | 2,586,136 | 2,449,761 | 2,395,719 |
| Other | 947,626 | 679,928 | 657,108 | 640,346 | 591,180 | 496,496 | 553,158 |
| Fire Hydrants | 1,681,939 | 1,648,476 | 1,618,465 | 1,570,843 | 1,550,673 | 1,485,508 | 1,405,531 |
| Other Operating Revenue | 5,870,962 | 2,503,039 | 1,141,835 | 1,343,693 | 1,250,982 | 1,203,196 | 1,173,452 |
| Total Operating Revenue | \$ 54,996,755 | \$ 49,130,974 | \$ 46,508,600 | \$ 46,816,260 | \$ 45,148,370 | \$ 45,757,953 | \$ 43,137,362 |
| CUSTOMERS | | | | | | | |
| Residential | 94,006 | 92,530 | 90,935 | 89,313 | 86,813 | 85,380 | 84,205 |
| Commercial | 11,114 | 10,917 | 10,793 | 10,604 | 10,289 | 10,174 | 10,195 |
| Industrial | 55 | 55 | 55 | 56 | 57 | 61 | 67 |
| Government | 19 | 19 | 19 | 20 | 21 | 24 | 25 |
| Other | 12 | 11 | 10 | 11 | 9 | 8 | 9 |
| Total Customers | 105,206 | 103,532 | 101,812 | 100,004 | 97,189 | 95,647 | 94,501 |
| METERED WATER GALLONS (THOUSAND) | | | | | | | |
| Residential | 5,681,073 | 5,437,481 | 5,617,126 | 5,489,112 | 5,217,553 | 5,568,530 | 5,546,901 |
| Commercial | 3,886,917 | 3,437,003 | 3,332,893 | 3,427,835 | 3,247,143 | 3,377,103 | 3,438,209 |
| Industrial | 1,089,930 | 953,134 | 969,742 | 994,563 | 1,014,388 | 1,061,820 | 1,115,598 |
| Government | 1,693,000 | 1,675,932 | 1,523,913 | 1,547,155 | 1,501,700 | 1,412,265 | 1,405,037 |
| Other | 364,309 | 308,260 | 305,131 | 303,110 | 262,714 | 218,653 | 234,750 |
| Total Sales Gallons (Thousands) | 12,715,229 | 11,811,810 | 11,748,805 | 11,761,775 | 11,243,498 | 11,638,371 | 11,740,495 |
| OPERATING REVENUE/CUSTOMER | | | | | | | |
| Residential | \$ 284.04 | \$ 281.35 | \$ 283.15 | \$ 287.63 | \$ 285.74 | \$ 296.05 | \$ 277.75 |
| Commercial | \$ 1,333.61 | \$ 1,240.41 | \$ 1,188.94 | \$ 1,222.56 | \$ 1,201.44 | \$ 1,248.40 | \$ 1,185.25 |
| Industrial | \$ 38,255.56 | \$ 34,306.91 | \$ 34,445.36 | \$ 35,030.59 | \$ 35,120.76 | \$ 35,158.80 | \$ 31,912.13 |
| Government | \$ 151,002.95 | \$ 149,349.42 | \$ 137,709.26 | \$ 132,331.35 | \$ 123,149.31 | \$ 102,073.38 | \$ 95,828.76 |
| Other | \$ 78,968.83 | \$ 61,811.64 | \$ 65,710.80 | \$ 58,213.27 | \$ 65,686.69 | \$ 62,062.00 | \$ 61,462.00 |
| OPERATING REVENUE/ THOUSAND GALLONS | | | | | | | |
| Residential | \$ 4.700 | \$ 4.788 | \$ 4.584 | \$ 4.680 | \$ 4.754 | \$ 4.539 | \$ 4.216 |
| Commercial | \$ 3.813 | \$ 3.940 | \$ 3.850 | \$ 3.782 | \$ 3.807 | \$ 3.761 | \$ 3.515 |
| Industrial | \$ 1.930 | \$ 1.980 | \$ 1.954 | \$ 1.972 | \$ 1.973 | \$ 2.020 | \$ 1.917 |
| Government | \$ 1.695 | \$ 1.693 | \$ 1.717 | \$ 1.711 | \$ 1.722 | \$ 1.735 | \$ 1.705 |
| Other | \$ 2.601 | \$ 2.206 | \$ 2.154 | \$ 2.113 | \$ 2.250 | \$ 2.271 | \$ 2.356 |
| THOUSAND GALLONS/CUSTOMER | | | | | | | |
| Residential | 60.43 | 58.76 | 61.77 | 61.46 | 60.10 | 65.22 | 65.87 |
| Commercial | 349.73 | 314.83 | 308.80 | 323.26 | 315.59 | 331.93 | 337.24 |
| Industrial | 19,816.91 | 17,329.71 | 17,631.67 | 17,760.05 | 17,796.28 | 17,406.89 | 16,650.72 |
| Government | 89,105.26 | 88,206.95 | 80,205.95 | 77,357.75 | 71,509.52 | 58,844.38 | 56,201.48 |
| Other | 30,359.08 | 28,023.64 | 30,513.10 | 27,555.45 | 29,190.44 | 27,331.63 | 26,083.33 |
| OPERATING REVENUE % | | | | | | | |
| Residential | 48.6% | 53.0% | 55.4% | 54.9% | 54.9% | 55.2% | 54.2% |
| Commercial | 27.0% | 27.6% | 27.6% | 27.7% | 27.4% | 27.8% | 28.0% |
| Industrial | 3.8% | 3.8% | 4.1% | 4.2% | 4.4% | 4.7% | 5.0% |
| Government | 5.2% | 5.8% | 5.6% | 5.7% | 5.7% | 5.4% | 5.6% |
| Other | 1.7% | 1.4% | 1.4% | 1.4% | 1.3% | 1.1% | 1.3% |
| Fire Hydrants | 3.1% | 3.4% | 3.5% | 3.4% | 3.4% | 3.2% | 3.3% |
| Other Operating Revenue | 10.7% | 5.1% | 2.5% | 2.9% | 2.8% | 2.6% | 2.7% |
| Total Operating Revenue | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| CUSTOMERS % | | | | | | | |
| Residential | 89.35% | 89.37% | 89.32% | 89.31% | 89.32% | 89.27% | 89.10% |
| Commercial | 10.56% | 10.54% | 10.60% | 10.60% | 10.59% | 10.64% | 10.79% |
| Industrial | 0.05% | 0.05% | 0.05% | 0.06% | 0.06% | 0.06% | 0.07% |
| Government | 0.02% | 0.02% | 0.02% | 0.02% | 0.02% | 0.03% | 0.03% |
| Other | 0.01% | 0.01% | 0.01% | 0.01% | 0.01% | 0.01% | 0.01% |
| Total Customers | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

City of Huntsville Electric, Natural Gas, and Water Systems

Other Information

Unaudited – Statistical Highlights – Water System



2022

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

2021

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

2020

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



**SUPPLEMENTAL REPORT
UNAUDITED OPERATING INFORMATION FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2022**

I. Water System

A. Annual Average and Peak Day Production Huntsville Groundwater Sources

| | |
|---|------|
| Average Day Production (mgd) | 7.81 |
| Percentage of Estimated Safe Capacity (80% = 10.8 mgd) | 72% |
| Peak Day Production (mgd) (80% = 10.8 mgd) | 8.97 |
| Percentage of Estimated Safe Capacity | 83% |
| Groundwater Plant Capacity | 13.4 |

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

| | |
|--|-------|
| Average Day Production (mgd) | 41.55 |
| Percentage of Estimated Safe Capacity (80% = 96 mgd) | 43% |
| Peak Day Production (mgd) (80% = 96 mgd) | 63.72 |
| Percentage of Estimated Safe Capacity | 66% |
| Surface Water Plant Capacity (mgd)* <i>*South Parkway, Southwest, Southeast</i> | 120 |



C. Largest Purchasers

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

| Customer | Total Amount Billed | Total Water Consumption (gal.) |
|---|----------------------------|---------------------------------------|
| Madison County Commission | \$ 1,555,439 | 910,247,200 |
| United States Army ⁽¹⁾ | \$ 1,323,944 | 783,121,000 |
| City of Huntsville (grounds/landscaping) | \$ 704,756 | 176,130,269 |
| Huntsville Hospital | \$ 521,767 | 197,168,700 |
| Huntsville City Board of Education | \$ 428,667 | 111,302,000 |
| Alabama A&M University | \$ 424,041 | 214,090,800 |
| Housing Authority of the City of Huntsville | \$ 374,011 | 98,096,400 |
| Town of New Hope | \$ 340,057 | 166,912,000 |
| Town of Triana | \$ 291,841 | 143,184,000 |
| LW Redstone Company LLC | \$ 261,553 | 64,749,400 |

⁽¹⁾ Represents water sales to Redstone Arsenal.

D. Number and Type of Customers

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

| Customer Type | Number |
|----------------------|----------------|
| Residential | 94,006 |
| Commercial | 11,114 |
| Industrial | 55 |
| Governmental | 19 |
| Other | 12 |
| Total | 105,206 |

E. Additional Operating Data

| | |
|----------------------------------|----------------|
| Number of Water System Customers | 105,200 |
| Sales (Gallons) | 12,715 million |
| Sales (Dollars) | \$48.2 million |



F. Debt Service Requirements and Coverage.¹

Debt Service Requirements²

| Fiscal Year | Series 2015 Warrants | Series 2016 Warrants | Series 2021-A Warrants | Series 2021-B Warrants | Total Debt Service |
|--------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|---------------------------|
| 2023 | 4,191,500 | 793,700 | 1,156,050 | 2,493,696 | 8,634,946 |
| 2024 | 4,191,750 | 799,200 | 1,157,250 | 2,490,336 | 8,638,536 |
| 2025 | 4,192,250 | 793,450 | 1,152,250 | 2,489,732 | 8,627,682 |
| 2026 | -- | 791,575 | 1,155,000 | 6,684,319 | 8,630,894 |
| 2027 | -- | 793,325 | 1,155,250 | 6,684,480 | 8,633,055 |
| 2028 | -- | 796,625 | 1,153,000 | 6,687,366 | 8,636,991 |
| 2029 | -- | 798,425 | 1,153,125 | 6,684,081 | 8,635,631 |
| 2030 | -- | 795,675 | -- | 6,684,418 | 7,480,093 |
| 2031 | -- | 796,300 | -- | 6,689,391 | 7,485,691 |
| 2032 | -- | 792,269 | -- | 6,688,229 | 7,480,498 |
| 2033 | -- | 793,594 | -- | 6,684,157 | 7,477,751 |
| 2034 | -- | 793,163 | -- | 6,685,246 | 7,478,409 |
| 2035 | -- | -- | -- | 6,682,606 | 6,682,606 |
| 2036 | -- | -- | -- | 6,685,781 | 6,685,781 |

Coverage³

The maximum annual debt service on the Series 2021 Warrants, the Series 2015 Warrants, and the Series 2016 Warrants, scheduled to occur in the fiscal year ending September 30, 2024, is \$8,638,536, and is covered approximately 6.4 times by Net System Revenues for the fiscal year ended September 30, 2022, of \$54,933,876.

Scheduled average annual debt service on the Series 2021 Warrants, the Series 2015 Warrants, and the Series 2016 Warrants of \$7,943,469 is covered approximately 6.9 times by Net System Revenues for such fiscal year.

¹ Note to Huntsville Utilities - This is a new section for the annual report and was required as a result of the last water revenue financing. The annual debt service chart should be updated whenever another issue of parity water revenue warrants is issued, as well as when any are refunded.

² Note to Huntsville Utilities - This should be updated each year to reflect total debt service then outstanding. Does not include subordinated debt.

³ Note to Huntsville Utilities. These highlighted items need to be calculated and updated each year for reach report. They will change each year as Net System Revenues is always computed based on the FY results for the year reported.



II. Electric System

A. Debt Service Requirements for Electric Revenue Warrants

| Fiscal Year Ending September 30, | Series2017-A Warrants | Series2017-B Warrants | Grand Total |
|-------------------------------------|--------------------------|--------------------------|----------------|
| 2023 | 4,249,125 | 2,333,475 | 6,582,600 |
| 2024 | 4,709,500 | 1,876,850 | 6,586,350 |
| 2025 | 4,708,250 | 1,873,350 | 6,581,600 |
| 2026 | 4,711,250 | 1,878,550 | 6,589,800 |
| 2027 | 4,708,250 | 1,875,625 | 6,583,875 |
| 2028 | 4,709,000 | 1,877,500 | 6,586,500 |
| 2029 | 4,708,125 | 1,875,625 | 6,583,750 |
| 2030 | 4,710,250 | 1,874,875 | 6,585,125 |
| 2031 | 4,710,000 | 1,875,000 | 6,585,000 |
| 2032 | 4,712,000 | 1,875,750 | 6,587,750 |
| 2033 | 4,710,875 | | 4,710,875 |
| 2034 | 4,711,250 | | 4,711,250 |
| 2035 | 4,707,750 | | 4,707,750 |
| 2036 | 4,709,875 | | 4,709,875 |
| 2037 | 4,707,125 | | 4,707,125 |
| 2038 | 4,709,000 | | 4,709,000 |
| 2039 | 4,709,875 | | 4,709,875 |

B. Operating Results from Electric System

The following provides the Electric System’s operating results for the fiscal year ended September 30, 2022, and the resulting Annual Net Income for such fiscal year:

| | |
|------------------------------------|-----------------------|
| Operating Revenues | |
| Residential | \$ 310,265,956 |
| Large commercial and industrial | \$ 225,508,275 |
| Small commercial | \$ 46,792,377 |
| Public street and highway lighting | \$ 5,861,314 |
| Other operating revenue | \$ <u>27,907,974</u> |
| Total Operating Revenues | \$ 616,335,896 |
| Operating Expenses | |
| Purchased power | \$ 461,618,064 |
| Transmission | \$ 196,085 |
| Distribution | \$ 28,099,609 |
| Customer accounting | \$ 4,032,635 |
| Administrative and general | \$ 22,321,034 |
| Depreciation | \$ 22,942,539 |
| Payroll taxes | \$ <u>1,946,880</u> |

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

Unaudited Information for Year Ended September 30, 2022



| | |
|--|-------------------------------|
| Total Operating Expenses | \$ 541,156,846 |
| Operating Income | \$ 75,179,050 |
| Non-Operating Revenues (Expenses) | |
| Gain on sale of assets | \$ 294,071 |
| Interest income | \$ 3,009,035 |
| Interest expense | \$ (3,834,573) |
| Gain/(loss) on investments | \$ (1,726,433) |
| Amortization of bond discount | \$ (26,906) |
| Amortization of bond premium | \$ <u>1,107,368</u> |
| Total Non-Operating Revenues (Expenses) | \$ 1,177,438 |
| Income Before Transfers | \$ 74,001,612 |
| Transfers Out – Tax Equivalents | \$ <u>(17,701,209)</u> |
| Change in Net Assets | \$ <u>56,300,403</u> |
| Add: Depreciation | \$ 22,942,539 |
| Add: Tax equivalent payments | \$ 17,701,209 |
| Add: Interest expense | \$ 3,834,573 |
| Add: Amortization of bond discount | \$ 26,906 |
| Less: Gain on sale of assets | \$ (294,071) |
| Less: Amortization of bond premium | \$ (1,107,368) |
| Annual Net Income | \$ 94,404,191 |



C. Customers and Sales

i. The number of customers by class and the corresponding aggregate amount of revenue and kilowatt hours of electricity sold as of and for the indicated fiscal year ended September 30, 2022, have been as follows:

| Customers | Residential kWh Sold | Revenue | Customers | 50kWh and Under Sold | Revenue |
|------------------|---------------------------------|----------------|------------------|---------------------------------|----------------|
| 184,972 | 2,698,689,215 | \$ 311,697,067 | 19,957 | 388,592,961 | \$ 49,040,308 |

| Customers | Over 50 kWh Sold | Revenue | Customers | Other Outdoor Lighting kWh Sold | Revenue |
|------------------|-----------------------------|----------------|------------------|--|----------------|
| 3,042 | 2,205,517,523 | \$ 223,322,375 | 733 | 39,424,478 | \$ 5,834,799 |

| Total Customers | Total kWh Sold | Total Revenue |
|----------------------------|---------------------------|--------------------------|
| 208,704 | 5,332,224,177 | \$ 589,894,549 |

ii. The number of customers by class and the corresponding aggregate amount of revenue and kilowatt hours of electricity sold, expressed as a percentage for the indicated fiscal year ended September 30, 2022, have been as follows:

| | |
|--------------------------------|--------------|
| Percentage of Customers | |
| Residential | 88.6% |
| Commercial | 11.0 |
| Other | 0.4 |
| Total | 100.0 |
| Percentage of kWh Sold | |
| Residential | 50.6% |
| Commercial | 48.7 |
| Other | 0.7 |
| Total | 100.0 |
| Percentage of Revenue | |
| Residential | 52.8% |
| Commercial | 46.2 |
| Other | 1.0 |
| Total | 100.0 |



D. Major Customers

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

| Customer Name | Total Customer Revenue | Distribution Sales Revenue | Distribution Revenue as % of Sales Revenue | Customer Revenue as % of Total HU Sales Revenue | Customer kWh | Customer kWh as % of Total HU kWh |
|--|-------------------------------|-----------------------------------|---|--|---------------------|--|
| Huntsville Hospital | \$ 10,870,028 | \$ 10,870,028 | 1.8% | 1.8% | 113,487,736 | 2.1% |
| Huntsville Schools | \$ 6,656,723 | \$ 6,656,723 | 1.1% | 1.1% | 59,566,546 | 1.1% |
| TMMAL | \$ 5,612,269 | \$ 5,612,269 | 1.0% | 1.0% | 74,070,150 | 1.4% |
| Huntsville Utilities | \$ 5,013,993 | \$ 5,013,993 | 0.8% | 0.8% | 47,274,738 | 0.9% |
| Saint Gobain | \$ 4,488,935 | \$ 4,488,935 | 0.8% | 0.8% | 58,674,594 | 1.1% |
| Wal Mart | \$ 4,138,335 | \$ 4,138,335 | 0.7% | 0.7% | 40,955,789 | 0.8% |
| Madison Co Board of Education | \$ 3,890,629 | \$ 3,890,629 | 0.7% | 0.7% | 29,951,652 | 0.6% |
| City of Huntsville Engineering | \$ 3,636,292 | \$ 3,636,292 | 0.6% | 0.6% | 23,743,029 | 0.4% |
| Kennametal | \$ 3,579,669 | \$ 3,579,669 | 0.6% | 0.6% | 41,219,822 | 0.8% |
| City of Huntsville Grounds and Landscaping | \$ 3,364,890 | \$ 3,364,890 | 0.6% | 0.6% | 28,293,291 | 0.5% |



E. Operating and Maintenance Costs per Customer

The following compares Huntsville Utilities' operating and maintenance costs per customer and per 1,000 kWh sold to that of other local power companies regulated by the Tennessee Valley Authority for the TVA fiscal year ended June 30, 2021.

1. O&M Costs Per Average Customer

| | Dollar Amount |
|----------------------|----------------------|
| Huntsville Utilities | \$ 253 |
| Similar Distributors | \$ 358 |
| All TVA Distributors | \$ 369 |
| All Municipals | \$ 363 |
| All Cooperatives | \$ 378 |

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

| | Dollar Amount |
|----------------------|----------------------|
| Huntsville Utilities | \$ 9.73 |
| Similar Distributors | \$ 12.73 |
| All TVA Distributors | \$ 14.33 |
| All Municipals | \$ 13.03 |
| All Cooperatives | \$ 16.59 |

F. Revenue Per Kilowatt

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

| | Dollar Amount |
|--|----------------------|
| Average Revenue per Kilowatt Hour - Residential | \$ 0.10 |
| 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 |

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Huntsville Electric, Natural Gas, and Water Systems (the Utilities), component units of the City of Huntsville, Alabama as of and for the year ended September 30, 2022, the related notes to the financial statements, which collectively comprise the Utilities basic financial statements, and have issued our report thereon dated February 17, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Jackson Thornton & Co. PC

Montgomery, Alabama
February 17, 2023