

**MUNICIPAL UTILITIES BOARD OF DECATUR,
MORGAN COUNTY, ALABAMA
D/B/A DECATUR UTILITIES**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2019

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**MUNICIPAL UTILITIES BOARD OF DECATUR, MORGAN COUNTY, ALABAMA
D/B/A DECATUR UTILITIES
INTRODUCTORY SECTION
September 30, 2019**

DIRECTORY

BOARD OF DIRECTORS

Neal A. Holland, Jr., Chairman
Tom Counts, Secretary
Al Cheatham, Member

MANAGEMENT TEAM

Ray Hardin, General Manager
Steve Pirkle, CPA, CGMA, Business Manager & CFO
Paul Nosal, SPHR, SHRM-SCP, Director - Customer & Employee Relations
Gary Borden, Operations Manager
Glenn Boyles, Electric Manager
Jimmy Evans, Gas, Water & Wastewater Operations Manager
Tom Cleveland, P.E., Water Resources Manager
Kim Baker, Customer Service Manager
John Kuhlman, Information Systems Manager
Rebecca Sheets, Executive Assistant

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION



Independent Auditor's Report

Board of Directors
Municipal Utilities Board of Decatur, Morgan County, Alabama
Decatur, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the Municipal Utilities Board of Decatur, Morgan County, Alabama, a component unit of the City of Decatur, Alabama, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Municipal Utilities Board of Decatur, as of September 30, 2019, and the

changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Municipal Utilities Board of Decatur's enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Decatur, Alabama, as of September 30, 2019, the changes in its financial position or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of Notes to OPEB Required Supplementary Information, Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan, Schedule of Contributions Based on Participation in the Public Employee Pension Plan and Notes to Required Supplementary Information as noted in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Municipal Utilities Board of Decatur's basic financial statements. The introductory section and the supplementary and other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary and other information, except that which is marked "unaudited", is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, supplementary and other information except that which is marked "unaudited", is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The directory and supplementary and other information schedules, which have been marked "unaudited", have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2019 on our consideration of the Municipal Utilities Board of Decatur's internal control over financial

reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipal Utilities Board of Decatur's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipal Utilities Board of Decatur's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Jackson, Tennessee
December 31, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Municipal Utilities Board of Decatur, Morgan County, Alabama, we offer readers of the Utility's financial statements this narrative overview and analysis of the financial activities of the Utility for the fiscal year ended September 30, 2019. All amounts, unless otherwise indicated, are expressed in actual dollars.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Municipal Utilities Board of Decatur exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$241 million (*Net Position*).
- Operating revenues were \$144 million, a decrease from fiscal year 2018 in the amount of \$1 million or 0.77%.
- Operating expenses were \$131 million, an increase from fiscal year 2018 in the amount of \$1 million or 0.80%.
- The operating income for the year was \$13 million as compared to \$16 million for fiscal year 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the Utility's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Utility's strategic plan, budget, bond resolutions and other management tools were used for this analysis. The Financial Statements and Supplementary Information are made up of four sections: 1) the introductory section, 2) the financial section, 3) the supplementary and other information section, and 4) the internal control and compliance section. The introductory section includes the Utility's directory. The financial section includes the independent auditor's report, this MD&A, the financial statements with accompanying notes, and the required supplementary information. The supplementary and other information section includes selected financial and operational information. The internal control and compliance section includes the report on internal control and compliance. These sections make up the financial report presented here.

REQUIRED FINANCIAL STATEMENTS

Proprietary Funds are used to account for the operations of the Utility, which is financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements report information about the Utility using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities.

The Statement of Net Position presents the financial position of the Utility on a full accrual historical cost basis. The statement includes all of the Utility's assets, liabilities, and deferred outflows/inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Utility's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Utility, and assessing the liquidity and financial flexibility of the Utility.

The Statement of Revenues, Expenses, and Changes in Net Position present the results of the business activities over the course of the fiscal year and information as to how the Net Position changed during the year. All changes in Net Position are reported as soon as the underlying event

giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the Utility's operations and can be used to determine whether the Utility has successfully recovered all of its costs. This statement also aids in the evaluation of income sufficiency and credit worthiness.

The Statement of Cash Flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipt and cash disbursement information, without consideration of the earnings event, when an obligation arises.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Utility's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

FINANCIAL ANALYSIS

One of the most important questions asked about the Utility's finances is "Is the Utility, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Utility's activities in a way that will help answer this question. These two statements report the Net Position of the Utility and the changes in the Net Position. Net Position is one way to measure the financial health or financial position of the Utility. Over time, increases or decreases in the Utility's Net Position are an indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

The Electric System's total Net Position increased by \$2.24 million for the fiscal year ended September 30, 2019. The analysis below focuses on the System's Net Position (Table 1A) and changes in Net Position (Table 1B) during the year.

Table 1A
ELECTRIC SYSTEM

CONDENSED STATEMENT OF NET POSITION				
	September 30, 2019	September 30, 2018	Increase (Decrease)	
			\$	%
Current assets	\$ 26,082,024	\$ 28,736,473	\$ (2,654,449)	-9.24%
Restricted assets	3,857,341	3,693,132	164,209	4.45%
Capital assets	46,845,637	46,289,848	555,789	1.20%
Other assets	3,635,932	3,119,280	516,652	16.56%
Total assets	80,420,935	81,838,734	(1,417,799)	-1.73%
Deferred outflows of resources	1,134,037	895,919	238,118	26.58%
Current liabilities	8,484,978	12,623,799	(4,138,821)	-32.79%
Long term liabilities	18,590,372	20,240,403	(1,650,031)	-8.15%
Other liabilities	3,798,184	3,267,523	530,661	16.24%
Total liabilities	30,873,535	36,131,725	(5,258,190)	-14.55%
Deferred inflows of resources	2,617,622	782,310	1,835,312	234.60%
Investment in capital assets	46,845,637	46,289,848	555,789	1.20%
Restricted	3,857,341	3,693,132	164,209	4.45%
Unrestricted	(2,639,164)	(4,162,364)	1,523,200	36.59%
Total net position	\$ 48,063,814	\$ 45,820,617	\$ 2,243,198	4.90%

The most significant changes from fiscal year 2018 to 2019 were in current liabilities due to decreases in accounts payable. Accounts payable decreased due to a large transformer received in the prior year at year end.

Changes in the Electric System's Net Position can be determined by reviewing the following condensed Statement of Revenues, Expenses, and Changes in Net Position for the year then ended September 30, 2019.

Table 1B
ELECTRIC SYSTEM

	September 30, 2019	September 30, 2018	Increase (Decrease)	
			\$	%
Operating revenues	\$ 95,442,625	\$ 97,006,626	\$ (1,564,001)	-1.61%
Purchased power	82,055,526	82,311,528	(256,002)	-0.31%
Gross margin	13,387,100	14,695,098	(1,307,998)	-8.90%
Other operating expenses	9,892,462	10,314,485	(422,023)	-4.09%
Operating income	3,494,637	4,380,612	(885,976)	-20.22%
Other revenue (expenses)	508,255	418,818	89,437	21.35%
Income before transfers	4,002,892	4,799,430	(796,539)	-16.60%
Tax equivalents	(1,759,694)	(1,736,521)	23,173	1.33%
Change in net position	2,243,198	3,062,909	(819,712)	-26.76%
Net position - beginning	45,820,617	53,432,164	(7,611,547)	-14.25%
Restatement of net position	-	(10,674,456)	10,674,456	100.00%
Net position - beginning (restated)	45,820,617	42,757,708	3,062,909	7.16%
Net position - ending	\$ 48,063,815	\$ 45,820,617	\$ 2,243,197	4.90%

From fiscal year 2018 to 2019, operating revenues decreased by 1.61% due to a decrease in unbilled revenue as compared to the prior year. Net position increased 4.90% from the prior year.

The Gas System's total Net Position increased by \$1 million for the fiscal year ended September 30, 2019. The analysis below focuses on the System's Net Position (Table 2A) and changes in Net Position (Table 2B) during the year.

Table 2A
GAS SYSTEM

CONDENSED STATEMENT OF NET POSITION				
	September 30, 2019	September 30, 2018	Increase (Decrease)	
			\$	%
Current assets	\$ 6,302,317	\$ 6,045,366	\$ 256,951	4.25%
Restricted assets	3,526,783	2,331,175	1,195,608	51.29%
Capital assets	21,555,287	21,095,212	460,075	2.18%
Other assets	1,613	59,688	(58,075)	-97.30%
Total assets	<u>31,386,001</u>	<u>29,531,441</u>	<u>1,854,560</u>	6.28%
Deferred outflows of resources	<u>399,750</u>	<u>273,366</u>	<u>126,384</u>	46.23%
Current liabilities	1,057,677	1,172,908	(115,231)	-9.82%
Long term liabilities	6,463,742	7,184,158	(720,416)	-10.03%
Other liabilities	2,381,295	1,661,382	719,913	43.33%
Total liabilities	<u>9,902,715</u>	<u>10,018,448</u>	<u>(115,733)</u>	-1.16%
Deferred inflows of resources	<u>1,119,688</u>	<u>239,787</u>	<u>879,901</u>	366.95%
Investment in capital assets	21,555,287	21,095,212	460,075	2.18%
Restricted	3,526,783	2,331,175	1,195,608	51.29%
Unrestricted	(4,318,722)	(3,879,817)	(438,905)	-11.31%
Total net position	<u>\$ 20,763,349</u>	<u>\$ 19,546,569</u>	<u>\$ 1,216,779</u>	6.23%

The most significant changes from fiscal year 2018 to 2019 were in total assets due to increases in restricted assets. Restricted assets increased by 1.20 million due to deposits into the gas enhancement fund.

Changes in the Gas System's Net Position can be determined by reviewing the following condensed Statement of Revenues, Expenses, and Changes in Net Position for the year then ended September 30, 2019.

Table 2B
GAS SYSTEM

			Increase (Decrease)	
	September 30, 2019	September 30, 2018	\$	%
Operating revenues	\$ 15,004,171	\$ 15,237,050	\$ (232,879)	-1.53%
Purchased gas	10,832,210	10,908,578	(76,368)	-0.70%
Gross margin	4,171,961	4,328,472	(156,511)	-3.62%
Other operating expenses	3,924,520	3,746,895	177,625	4.74%
Operating income (loss)	247,441	581,578	(334,137)	57.45%
Other revenue (expenses)	228,036	131,425	96,611	73.51%
Income (loss) before transfers	475,477	713,002	(237,525)	33.31%
Transfer to Decatur general fund	(237,739)	(356,501)	(118,762)	-33.31%
Aid in construction	979,038	48,817	930,221	1905.53%
Change in net position	1,216,776	405,318	811,458	-200.20%
Net position - beginning	19,546,572	22,975,635	(3,429,063)	-14.92%
Restatement of net position	-	(3,834,381)	3,834,381	100.00%
Net position - beginning (restated)	19,546,572	19,141,254	405,318	2.12%
Net position - ending	\$ 20,763,348	\$ 19,546,572	\$ 1,216,776	6.23%

From fiscal year 2018 to 2019, operating revenues decreased 1.53% from lower volumes in residential, commercial, and flex classes. Net position increased 6.23% mainly from increased aid in construction.

The Water System's total Net Position increased by \$5.96 million for the fiscal year ended September 30, 2019. The analysis below focuses on the System's Net Position (Table 3A) and changes in Net Position (Table 3B) during the year.

Table 3A
WATER SYSTEM

				Increase (Decrease)	
				\$	%
		September 30, 2019	September 30, 2018		
Current assets	\$	8,346,603	\$ 6,634,434	\$ 1,712,169	25.81%
Restricted assets		7,400,784	8,428,909	(1,028,125)	-12.20%
Capital assets		74,070,102	71,478,591	2,591,511	3.63%
Other assets		9,878	13,091	(3,213)	-24.54%
Total assets		<u>89,827,366</u>	<u>86,555,024</u>	<u>3,272,342</u>	3.78%
Deferred outflows of resources		<u>766,479</u>	<u>544,806</u>	<u>221,673</u>	40.69%
Current liabilities		1,434,529	859,203	575,326	66.96%
Liabilities payable from restricted assets		931,775	2,401,372	(1,469,597)	-61.20%
Long term liabilities		24,144,631	26,340,535	(2,195,904)	-8.34%
Other liabilities		3,350	995,370	(992,020)	-99.66%
Total liabilities		<u>26,514,285</u>	<u>30,596,480</u>	<u>(4,082,195)</u>	-13.34%
Deferred inflows of resources		<u>2,081,812</u>	<u>460,830</u>	<u>1,620,982</u>	351.75%
Net investment in capital assets		63,444,306	56,481,221	6,963,085	12.33%
Restricted		7,262,291	8,242,537	(980,246)	-11.89%
Unrestricted		(8,708,848)	(8,681,238)	(27,610)	-0.32%
Total net position	\$	<u>61,997,749</u>	<u>\$ 56,042,521</u>	<u>\$ 5,955,229</u>	10.63%

The most significant changes from fiscal year 2018 to 2019 were an increase in capital assets of \$2.59 million and a decrease in long term liabilities due to decreases in postemployment benefits. Postemployment benefits other than pensions (OPEB) decreased by \$1.80 million.

Changes in the Water System's Net Position can be determined by reviewing the following condensed Statement of Revenues, Expenses, and Changes in Net Position for the year then ended September 30, 2019.

Table 3B
WATER SYSTEM

			Increase (Decrease)	
	September 30, 2019	September 30, 2018	\$	%
Operating revenues	\$ 15,933,461	\$ 15,510,793	\$ 422,668	2.72%
Treatment expense	4,920,341	4,529,640	390,701	8.63%
Gross margin	11,013,120	10,981,153	31,967	0.29%
Other operating expenses	7,043,479	7,028,947	14,532	0.21%
Operating income	3,969,641	3,952,205	17,436	0.44%
Other revenue (expenses)	(139,280)	(417,532)	(278,252)	-66.64%
Income before transfers	3,830,361	3,534,673	295,688	8.37%
Transfer to Decatur general fund	(629,903)	(601,339)	28,564	4.75%
Aid in construction	2,754,770	529,487	2,225,283	420.27%
Change in net position	5,955,228	3,462,821	2,492,407	71.98%
Net position - beginning	56,042,521	59,933,106	(3,890,585)	-6.49%
Restatement of net position	-	(7,353,406)	7,353,406	100.00%
Net position - beginning (restated)	56,042,521	52,579,700	3,462,821	6.59%
Net position - ending	\$ 61,997,749	\$ 56,042,521	\$ 5,955,228	10.63%

From fiscal year 2018 to 2019, operating revenues increased 2.72% as a result of volumetric increases coming from all customer classes except commercial. Other revenue (expenses) increased due to higher interest income and lower interest expense. Net position increased 10.63% from the prior year.

The Wastewater System's total Net Position increased by \$4.50 million for the fiscal year ended September 30, 2019. The analysis below focuses on the System's Net Position (Table 4A) and changes in Net Position (Table 4B) during the year.

Table 4A
WASTEWATER SYSTEM

			Increase (Decrease)	
	September 30, 2019	September 30, 2018	\$	%
Current assets	\$ 13,528,008	\$ 17,374,843	\$ (3,846,835)	-22.14%
Restricted assets	9,140,825	9,187,324	(46,499)	-0.51%
Capital assets	133,995,972	128,646,460	5,349,512	4.16%
Other assets	2,063,593	38,748	2,024,845	5225.68%
Total assets	<u>158,728,398</u>	<u>155,247,375</u>	<u>3,481,023</u>	<u>2.24%</u>
Deferred outflows of resources	<u>577,056</u>	<u>380,578</u>	<u>196,478</u>	<u>51.63%</u>
Current liabilities	1,754,598	1,736,646	17,952	1.03%
Liabilities payable from restricted assets	3,664,177	3,369,622	294,555	8.74%
Long term liabilities	45,542,370	47,974,046	(2,431,676)	-5.07%
Other liabilities	31,167	3,308	27,859	842.17%
Total liabilities	<u>50,992,312</u>	<u>53,083,621</u>	<u>(2,091,310)</u>	<u>-3.94%</u>
Deferred inflows of resources	<u>1,668,695</u>	<u>397,055</u>	<u>1,271,640</u>	<u>320.27%</u>
Net investment in capital assets	94,503,197	88,237,438	6,265,759	7.10%
Restricted	8,976,648	8,972,702	3,946	0.04%
Unrestricted	3,164,602	4,937,138	(1,772,536)	-35.90%
Total net position	<u>\$ 106,644,447</u>	<u>\$ 102,147,277</u>	<u>\$ 4,497,169</u>	<u>4.40%</u>

The most significant changes from fiscal year 2018 to 2019 were in capital assets, net investment in capital assets, and current assets. The change in capital assets and net investment in capital assets was primarily due to major capital projects funded by the 2013 series wastewater warrants. The change in current assets was due to decreases in cash for the above mentioned facts.

Changes in the Wastewater System's Net Position can be determined by reviewing the following condensed Statement of Revenues, Expenses, and Changes in Net Position for the year then ended September 30, 2019.

Table 4B
WASTEWATER SYSTEM

	September 30, 2019	September 30, 2018	Increase (Decrease)	
			\$	%
Operating revenues	\$ 17,863,437	\$ 17,611,859	\$ 251,578	1.43%
Treatment expense	3,583,700	3,316,695	267,005	8.05%
Gross margin	14,279,737	14,295,164	(15,427)	-0.11%
Other operating expenses	8,528,327	7,580,760	947,567	12.50%
Operating income	5,751,410	6,714,405	(962,995)	-14.34%
Other revenue (expenses)	(545,595)	(900,311)	(354,716)	-39.40%
Income before transfers	5,205,815	5,814,093	(608,278)	-10.46%
Transfer to Decatur general fund	(882,774)	(850,884)	31,890	3.75%
Aid in construction	174,129	9,585,858	(9,411,729)	-98.18%
Change in net position	4,497,170	14,549,067	(10,051,897)	-69.09%
Net position - beginning	102,147,277	93,597,911	8,549,366	9.13%
Restatement of net position	-	(5,999,701)	5,999,701	100.00%
Net position - beginning (restated)	102,147,277	87,598,210	14,549,067	16.61%
Net position - ending	\$ 106,644,447	\$ 102,147,277	\$ 4,497,170	4.40%

From fiscal year 2018 to 2019, operating revenues increased 1.43% due to increased industrial and governmental volumes and surcharges. Aid in construction was significantly lower than 2018 due to City of Decatur Beltline extension project finishing in the prior year. Net position increased 4.40% over the prior year.

The Administrative System of Decatur Utilities receives no revenues other than interest and dividend income. Income and expenses are allocated to the other four Systems. The Administrative System's total Net Position remained consistent with the prior year for the fiscal year ended September 30, 2019. The analysis below focuses on the System's Net Position (Table 5A).

Table 5A
ADMINISTRATIVE

CONDENSED STATEMENT OF NET POSITION				
	September 30, 2019	September 30, 2018	Increase (Decrease)	
			\$	%
Current assets	\$ 5,920,961	\$ 6,954,033	\$ (1,033,072)	-14.86%
Restricted assets	389,653	364,307	25,346	6.96%
Capital assets	2,297,048	2,281,736	15,312	0.67%
Total assets	8,607,662	9,600,076	(992,414)	-10.34%
Current liabilities	4,699,548	5,176,295	(476,747)	-9.21%
Long term liabilities	-	522,346	(522,346)	-100.00%
Other liabilities	355,178	348,499	6,679	1.92%
Total liabilities	5,054,726	6,047,140	(992,414)	-16.41%
Investment in capital assets	2,297,048	2,281,736	15,312	0.67%
Restricted	389,653	364,307	25,346	6.96%
Unrestricted	866,235	906,893	(40,658)	-4.48%
Total net position	\$ 3,552,936	\$ 3,552,936	\$ -	0.00%

The most significant changes from fiscal year 2018 to 2019 were in current assets, current liabilities and long term liabilities. Current assets decreased primarily due to decreases in cash and cash equivalents. Current liabilities decreased primarily due to decreases in accounts payable. Long term liabilities decreased primarily due to decreases in compensated absences due to allocations to other systems.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2019, the Utility had \$279 million (net of accumulated depreciation) invested in a broad range of utility capital assets. This investment includes land, land rights, distribution, transmission, and treatment systems and their related equipment, and various other types of equipment. Based on the uses of the aforementioned assets, they are classified for financial purposes as general plant, distribution plant, treatment plant, and construction in progress. This investment represents an overall increase of \$8.97 million or 3.33% compared to last year.

The following table summarizes the Utility's capital assets, net of accumulated depreciation, and changes therein, for the years ended September 30, 2019 and 2018. These changes are presented in detail in Note 3D to the financial statements.

Table 1C
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

			Increase (Decrease)	
			\$	%
	September 30, 2019	September 30, 2018		
Electric System				
Land	\$ 714,760	\$ 715,373	\$ (613)	-0.09%
Utility plant	89,491,424	84,267,684	5,223,740	6.20%
Construction in progress	710,608	4,480,493	(3,769,885)	-84.14%
Less: Accumulated depreciation	(44,071,155)	(43,173,702)	897,453	2.08%
Net electric plant	<u>46,845,637</u>	<u>46,289,848</u>	<u>555,789</u>	1.20%
Gas System				
Land	124,816	124,816	-	0.00%
Utility plant	40,201,935	38,446,941	1,754,994	4.56%
Construction in progress	193,597	644,969	(451,372)	-69.98%
Less: Accumulated depreciation	(18,965,061)	(18,121,514)	843,547	4.65%
Net gas plant	<u>21,555,287</u>	<u>21,095,212</u>	<u>460,075</u>	2.18%
Water System				
Land	483,281	483,281	-	0.00%
Utility plant	131,409,800	125,815,040	5,594,760	4.45%
Construction in progress	654,699	1,212,877	(558,178)	-46.02%
Less: Accumulated depreciation	(58,477,678)	(56,032,607)	2,445,071	4.36%
Net water plant	<u>74,070,102</u>	<u>71,478,591</u>	<u>2,591,511</u>	3.63%
Wastewater System				
Land	1,677,659	1,678,323	(664)	-0.04%
Utility plant	183,443,532	173,073,603	10,369,929	5.99%
Construction in progress	7,686,749	9,641,303	(1,954,554)	-20.27%
Less: Accumulated depreciation	(58,811,968)	(55,746,769)	3,065,199	5.50%
Net wastewater plant	<u>133,995,972</u>	<u>128,646,460</u>	<u>5,349,512</u>	4.16%
Administrative System				
Land	71,407	71,407	-	0.00%
Buildings	5,876,448	6,306,124	(429,676)	-6.81%
Construction in progress	248,863	154,299	94,564	61.29%
Less: Accumulated depreciation	(3,899,670)	(4,250,094)	(350,424)	-8.25%
Net administration system	<u>\$ 2,297,048</u>	<u>\$ 2,281,736</u>	<u>\$ 15,312</u>	0.67%

Debt Administration

The Utility has outstanding debt payable of \$50 million as of September 30, 2019. Principal payments are due in the upcoming fiscal year in the amount of \$4 million with interest payments totaling approximately \$1 million also due. Details relating to the debt can be found in Note 3E to the financial statements. The Utility also has no current plans to issue new debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board will continue to maintain and upgrade existing systems in order to efficiently serve its rate payers. The Board will strive to monitor operation and maintenance cost in an effort to operate as efficiently as possible resulting in quality service while maintaining competitive rates.

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Utility's finances for all those with an interest in the Utility's finances and to demonstrate the Utility's accountability for the funds it receives. Questions concerning any information provided in this report or requests for any additional information should be directed to the Business Manager and CFO of the Municipal Utilities Board of Decatur Morgan County, Alabama, 1002 Central Parkway SW, PO Box 2232 Decatur, AL 35609-2232.

BASIC FINANCIAL STATEMENTS

MUNICIPAL UTILITIES BOARD OF DECATUR
STATEMENT OF NET POSITION
September 30, 2019

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>	<u>(Memo Only) Total</u>
Assets						
Current assets						
Cash and cash equivalents	\$ 11,978,168	\$ 5,282,861	\$ 6,637,126	\$ 11,848,337	\$ 5,476,869	\$ 41,223,361
Receivables						
Accounts (net of allowance)	9,023,535	546,837	1,276,656	1,327,274	372,541	12,546,843
Other accounts receivable	133,316	105,994	28,545	110,090	22,160	400,105
City of Decatur	195,902	5,205	32,725	26,670	11,223	271,725
Current note receivable - other funds	-	-	-	168,282	-	168,282
Stored natural gas	-	158,795	-	-	-	158,795
Materials and supplies	1,306,226	154,941	363,386	42,524	-	1,867,077
Accrued utility revenue	3,440,802	-	-	-	-	3,440,802
Other current assets	4,075	47,684	8,166	4,831	38,167	102,923
Total current assets	<u>26,082,024</u>	<u>6,302,317</u>	<u>8,346,604</u>	<u>13,528,008</u>	<u>5,920,961</u>	<u>60,179,914</u>
Noncurrent assets						
Restricted cash and equivalents	<u>3,857,341</u>	<u>3,526,783</u>	<u>7,400,784</u>	<u>9,140,825</u>	<u>389,653</u>	<u>24,315,386</u>
Capital assets, not being depreciated						
Land	714,760	124,816	483,281	1,677,659	71,407	3,071,923
Work in process	710,608	193,597	654,699	7,686,749	248,863	9,494,516
Capital assets, net of accumulated depreciation						
Utility plant	<u>45,420,269</u>	<u>21,236,874</u>	<u>72,932,122</u>	<u>124,631,564</u>	<u>1,976,777</u>	<u>266,197,607</u>
Total capital assets	<u>46,845,637</u>	<u>21,555,287</u>	<u>74,070,102</u>	<u>133,995,972</u>	<u>2,297,048</u>	<u>278,764,046</u>
Other assets						
Energy service loans receivable	3,635,932	-	-	-	-	3,635,932
Long term note receivable - other funds	-	-	-	2,043,922	-	2,043,922
Other charges receivable	-	1,613	9,878	19,671	-	31,162
Total other assets	<u>3,635,932</u>	<u>1,613</u>	<u>9,878</u>	<u>2,063,593</u>	<u>-</u>	<u>5,711,016</u>
Total assets	<u>80,420,935</u>	<u>31,386,001</u>	<u>89,827,367</u>	<u>158,728,398</u>	<u>8,607,662</u>	<u>368,970,363</u>
Deferred outflows of resources						
Related to Pensions	<u>1,134,037</u>	<u>399,750</u>	<u>766,479</u>	<u>577,056</u>	<u>-</u>	<u>2,877,322</u>
Total deferred outflows of resources	<u>1,134,037</u>	<u>399,750</u>	<u>766,479</u>	<u>577,056</u>	<u>-</u>	<u>2,877,322</u>
Combined assets and deferred outflows of resources	<u>\$ 81,554,971</u>	<u>\$ 31,785,751</u>	<u>\$ 90,593,846</u>	<u>\$ 159,305,454</u>	<u>\$ 8,607,662</u>	<u>\$ 371,847,685</u>

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

MUNICIPAL UTILITIES BOARD OF DECATUR
STATEMENT OF NET POSITION
September 30, 2019

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>	<u>(Memo Only) Total</u>
Liabilities						
Current liabilities						
Accounts payable	\$ 7,842,937	\$ 637,672	\$ 860,190	\$ 1,276,068	\$ 204,343	\$ 10,821,210
Due to City of Decatur general fund	-	36,994	59,875	87,238	379,602	563,709
Accrued payroll and other expense	642,041	383,011	514,464	391,292	14,701	1,945,509
Customer deposits	-	-	-	-	4,100,902	4,100,902
Total current liabilities	<u>8,484,978</u>	<u>1,057,677</u>	<u>1,434,529</u>	<u>1,754,598</u>	<u>4,699,548</u>	<u>17,431,330</u>
Liabilities payable from restricted assets						
Current maturities of revenue warrants	-	-	625,000	3,500,000	-	4,125,000
Current notes payable - other funds	-	-	168,282	-	-	168,282
Interest payable	-	-	138,493	164,177	-	302,670
Total liabilities payable from restricted assets	<u>-</u>	<u>-</u>	<u>931,775</u>	<u>3,664,177</u>	<u>-</u>	<u>4,595,952</u>
Noncurrent liabilities						
Long term debt payable, net of costs	-	-	10,000,795	35,992,774	-	45,993,569
Long term note payable - other funds	-	-	2,043,922	-	-	2,043,922
Compensated absences	320,679	165,953	271,316	195,509	-	953,457
Energy service loans payable	3,635,932	-	-	-	-	3,635,932
Postemployment benefits	11,405,133	3,832,722	7,434,096	6,075,766	-	28,747,717
Net pension liability	6,864,560	2,465,067	4,394,502	3,278,321	-	17,002,450
Other unearned credits	162,252	2,381,295	3,350	31,167	355,178	2,933,242
Total noncurrent liabilities	<u>22,388,557</u>	<u>8,845,037</u>	<u>24,147,981</u>	<u>45,573,537</u>	<u>355,178</u>	<u>101,310,290</u>
Total liabilities	<u>30,873,535</u>	<u>9,902,715</u>	<u>26,514,285</u>	<u>50,992,312</u>	<u>5,054,726</u>	<u>123,337,573</u>
Deferred inflows of resources						
Related to pensions	720,939	221,733	425,422	371,052	-	1,739,146
Related to OPEB	1,896,683	897,955	1,656,390	1,297,643	-	5,748,671
Total deferred inflows of resources	<u>2,617,622</u>	<u>1,119,688</u>	<u>2,081,812</u>	<u>1,668,695</u>	<u>-</u>	<u>7,487,817</u>
Combined liabilities and deferred inflows of resources	<u>33,491,157</u>	<u>11,022,403</u>	<u>28,596,097</u>	<u>52,661,007</u>	<u>5,054,726</u>	<u>130,825,390</u>
Net position						
Net investment in capital assets	46,845,637	21,555,287	63,444,306	94,503,197	2,297,048	228,645,475
Restricted	3,857,341	3,526,783	7,262,291	8,976,648	389,653	24,012,716
Unrestricted (deficit)	(2,639,164)	(4,318,722)	(8,708,848)	3,164,602	866,235	(11,635,897)
Total net position	<u>\$ 48,063,814</u>	<u>\$ 20,763,348</u>	<u>\$ 61,997,749</u>	<u>\$ 106,644,447</u>	<u>\$ 3,552,936</u>	<u>\$ 241,022,294</u>
Total liabilities and net position	<u>\$ 81,554,971</u>	<u>\$ 31,785,751</u>	<u>\$ 90,593,846</u>	<u>\$ 159,305,454</u>	<u>\$ 8,607,662</u>	<u>\$ 371,847,685</u>

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

MUNICIPAL UTILITIES BOARD OF DECATUR
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended September 30, 2019

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>	<u>(Memo Only) Total</u>
Operating revenues						
Charges for sales and services (net of adjustments and allowances)	\$ 94,376,868	\$ 14,862,919	\$ 14,807,917	\$ 16,308,414	\$ -	\$ 140,356,118
Other revenue	1,065,757	141,252	1,125,544	1,555,023	-	3,887,576
Total operating revenues	<u>95,442,625</u>	<u>15,004,171</u>	<u>15,933,461</u>	<u>17,863,437</u>	<u>-</u>	<u>144,243,694</u>
Operating expenses						
Costs of sales and services	82,055,526	10,832,210	4,920,341	3,583,700	-	101,391,777
Operations expenses	1,533,816	954,140	890,454	1,290,509	-	4,668,919
Maintenance expenses	2,045,723	364,697	363,452	817,335	-	3,591,207
Customer service expenses	851,839	347,535	580,381	328,945	-	2,108,699
Administrative expenses	2,711,907	1,297,524	1,991,308	1,638,130	-	7,638,869
Depreciation expense	2,749,178	960,624	3,217,884	4,453,408	-	11,381,094
Total operating expenses	<u>91,947,988</u>	<u>14,756,730</u>	<u>11,963,820</u>	<u>12,112,027</u>	<u>-</u>	<u>130,780,566</u>
Operating income (loss)	<u>3,494,636</u>	<u>247,441</u>	<u>3,969,641</u>	<u>5,751,410</u>	<u>-</u>	<u>13,463,128</u>
Non-operating revenues (expenses)						
Interest income	510,107	229,330	371,439	607,433	-	1,718,309
Other non-operating revenue	2,360	1,219	2,207	104,915	-	110,701
Amortization expense	-	-	(48,816)	(1,112)	-	(49,928)
Interest expense	(7,426)	(2,513)	(464,110)	(1,260,312)	-	(1,734,361)
Gain (loss) on sale	3,214	-	-	3,481	-	6,695
Total non-operating revenues (expenses)	<u>508,255</u>	<u>228,035</u>	<u>(139,280)</u>	<u>(545,595)</u>	<u>-</u>	<u>51,416</u>
Income (loss) before transfers and contributions	<u>\$ 4,002,891</u>	<u>\$ 475,477</u>	<u>\$ 3,830,361</u>	<u>\$ 5,205,815</u>	<u>\$ -</u>	<u>\$ 13,514,544</u>

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

MUNICIPAL UTILITIES BOARD OF DECATUR
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended September 30, 2019

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>	<u>(Memo Only) Total</u>
Transfers and capital contributions						
Transfers to City of Decatur - in lieu of taxes	\$ (1,759,694)	\$ (237,739)	\$ (629,903)	\$ (882,774)	\$ -	\$ (3,510,110)
Income (loss) before contributions	<u>2,243,197</u>	<u>237,738</u>	<u>3,200,458</u>	<u>4,323,041</u>	<u>-</u>	<u>10,004,434</u>
Capital contributions	<u>-</u>	<u>979,038</u>	<u>2,754,770</u>	<u>174,129</u>	<u>-</u>	<u>3,907,937</u>
Change in net position	2,243,197	1,216,776	5,955,228	4,497,170	-	13,912,371
Total net position - beginning	<u>45,820,617</u>	<u>19,546,572</u>	<u>56,042,521</u>	<u>102,147,277</u>	<u>3,552,936</u>	<u>227,109,923</u>
Total net position - ending	<u>\$ 48,063,814</u>	<u>\$ 20,763,348</u>	<u>\$ 61,997,749</u>	<u>\$ 106,644,447</u>	<u>\$ 3,552,936</u>	<u>\$ 241,022,294</u>

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

**MUNICIPAL UTILITIES BOARD OF DECATUR
STATEMENT OF CASH FLOWS**

For the Year Ended September 30, 2019

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>	<u>(Memo Only) Totals</u>
Cash flows from operating activities:						
Cash received from consumers	\$ 95,391,936	\$ 15,094,763	\$ 15,749,799	\$ 17,599,580	\$ -	\$ 143,836,078
Cash paid to suppliers for goods and services	(85,759,977)	(9,858,255)	(3,085,079)	(2,865,527)	(376,473)	(101,945,311)
Cash paid to employees for services	(7,260,185)	(3,087,749)	(5,618,770)	(4,712,488)	-	(20,679,192)
Net change in energy service loans payable	516,652	-	-	-	-	516,652
Net change in energy service loans receivable	(516,652)	-	-	-	-	(516,652)
Interest paid on customer deposits	-	-	-	-	11,425	11,425
Net change in customer deposits	-	-	-	-	79,242	79,242
Net cash provided (used) by operating activities	<u>2,371,774</u>	<u>2,148,759</u>	<u>7,045,950</u>	<u>10,021,565</u>	<u>(285,806)</u>	<u>21,302,242</u>
Cash flows from non-capital related financing activities:						
Advances between funds	-	-	2,212,204	(2,212,204)	-	-
Operating transfer out - City of Decatur & tax equivalents	<u>(1,759,694)</u>	<u>(237,739)</u>	<u>(629,903)</u>	<u>(882,774)</u>	-	<u>(3,510,110)</u>
Net cash provided (used) by non-capital financing activities	<u>(1,759,694)</u>	<u>(237,739)</u>	<u>1,582,301</u>	<u>(3,094,978)</u>	-	<u>(3,510,110)</u>
Cash flows from capital and related financing activities:						
Construction and acquisition of capital assets	(3,503,175)	(1,468,232)	(5,853,342)	(9,910,732)	(399,651)	(21,135,132)
Capital contributed by customers	-	979,038	2,754,770	174,129	-	3,907,936
Proceeds from Issuance of debt	-	-	-	9,465,000	-	9,465,000
Principal paid on debt	-	-	(4,420,391)	(10,382,359)	-	(14,802,750)
Interest paid on debt	<u>(7,426)</u>	<u>(2,513)</u>	<u>(511,989)</u>	<u>(1,310,757)</u>	-	<u>(1,832,686)</u>
Net cash provided (used) by capital and related financing activities	<u>(3,510,601)</u>	<u>(491,707)</u>	<u>(8,030,952)</u>	<u>(11,964,720)</u>	<u>(399,651)</u>	<u>(24,397,632)</u>

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

MUNICIPAL UTILITIES BOARD OF DECATUF
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2019

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>	<u>(Memo Only) Totals</u>
Cash flows from investing activities:						
Decrease (increase) in restricted assets	(164,209)	(1,195,608)	1,028,125	46,499	(25,346)	(310,540)
Income (expense) from other non-operating revenue	5,573	1,219	2,207	108,397	-	117,396
Interest received	510,107	229,330	371,439	607,433	-	1,718,308
Net cash provided (used) by investing activities	<u>351,471</u>	<u>(965,059)</u>	<u>1,401,771</u>	<u>762,328</u>	<u>(25,346)</u>	<u>1,525,164</u>
Net increase (decrease) in cash and cash equivalents	(2,547,050)	454,254	1,999,070	(4,275,805)	(710,803)	(5,080,335)
Cash and cash equivalents - beginning	<u>14,525,218</u>	<u>4,828,607</u>	<u>4,638,056</u>	<u>16,124,142</u>	<u>6,187,672</u>	<u>46,303,695</u>
Cash and cash equivalents - ending	<u>\$ 11,978,168</u>	<u>\$ 5,282,861</u>	<u>\$ 6,637,126</u>	<u>\$ 11,848,337</u>	<u>\$ 5,476,869</u>	<u>\$ 41,223,361</u>
Cash and cash equivalents						
Unrestricted cash and cash equivalent	<u>11,978,168</u>	<u>5,282,861</u>	<u>6,637,126</u>	<u>11,848,337</u>	<u>5,476,869</u>	<u>41,223,361</u>
Total cash and cash equivalents	\$ 11,978,168	\$ 5,282,861	\$ 6,637,126	\$ 11,848,337	\$ 5,476,869	\$ 41,223,361

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

**MUNICIPAL UTILITIES BOARD OF DECATUR
STATEMENT OF CASH FLOWS**

For the Year Ended September 30, 2019

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>	<u>(Memo Only) Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ 3,494,636	\$ 247,441	\$ 3,969,641	\$ 5,751,410	\$ -	\$ 13,463,128
Adjustments to reconcile operating income to net cash provide by operating activities						
Depreciation expense	2,947,386	1,008,156	3,261,832	4,561,220	384,339	12,162,933
Pension contributions in excess of actuarially determined pension expense	(18,550)	(62,254)	(95,870)	(103,876)	-	(280,550)
OPEB contributions in excess of actuarially determined OPEB expense	(155,126)	(70,598)	(125,548)	(107,412)	-	(458,684)
Changes in assets and liabilities:						
Receivables	(562,248)	90,592	(183,662)	(263,857)	301,912	(617,263)
Due from City	177,829	124,670	456,377	(3,709)	224	755,391
Unbilled revenues	511,559	-	-	-	-	511,559
Materials and supplies	(21,930)	(12,491)	12,682	7,144	-	(14,595)
Energy service loans receivable	(516,652)	-	-	-	-	(516,652)
Energy service loans payable	516,652	-	-	-	-	516,652
Other current assets (prepaid)	2,190	(5,468)	1,502	(267)	20,132	18,090
Other charges	-	2,185	3,213	19,077	-	24,475
Accounts payable and other accruals	(4,017,982)	248,931	735,939	126,727	(1,105,660)	(4,012,045)
Due to City	-	(142,318)	1,863	7,248	17,142	(116,065)
Customer deposits	-	-	-	-	89,425	89,425
Other credits	14,009	719,914	(992,020)	27,859	6,679	(223,559)
Net cash provided (used) by operating activities	<u>\$ 2,371,773</u>	<u>\$ 2,148,759</u>	<u>\$ 7,045,950</u>	<u>\$ 10,021,564</u>	<u>\$ (285,806)</u>	<u>\$ 21,302,240</u>

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

MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

In evaluating how to define the Municipal Utilities Board of Decatur, Morgan County, Alabama, D/B/A Decatur Utilities (the Utility) for financial reporting purposes, management has considered the criteria set forth in the Governmental Accounting Standards Board (GASB), Codification of Governmental Accounting and Financial Reporting Standards.

The criteria for including organizations as component units of a reporting entity are as follows:

- The organization is legally separate (can sue and be sued in their own name.)
- The City holds the corporate powers of the organization.
- The City appoints a voting majority of the organization's board.
- The City is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the City.
- There is fiscal dependency by the organization on the City.

Based on these criteria, there are no component units of the Utility. However, the Utility is considered to be proprietary funds of the City of Decatur, Alabama (the City), because the Utility has the potential to provide financial benefits or impose financial burdens on the City and because the City has the ability to impose its will on the Utility as set forth in its charter. The Utility is not a legally separate organization from the City.

These are proprietary fund financial statements and include only the financial activities of the Utility.

B. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Utility's financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounting policies of the Utility conform to applicable accounting principles generally accepted in the United States of America as defined by the Governmental Accounting Standards Board (GASB).

Enterprise funds distinguish operating revenues and expense from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the enterprise fund's principal ongoing operations. The principal operating revenues of the Utility are charges for sales to customers for sales and service. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS

September 30, 2019

C. 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.

D. Assets, Liabilities, and Net Position

Revenue Recognition

Revenue and the related costs are recognized when billed to the ultimate customer. Decatur Utilities accrues unbilled revenues from the most recent meter reading dates to the end of the year in the Electric System only. Non-operating revenues are defined as those not under provision for services provided as described above.

Deposits and investments

The Utility's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less.

Receivables and payables

Trade receivables result from unpaid billings for utility service to customers and from unpaid billings related to work performed for or materials sold to certain entities. All trade receivables are shown net of an allowance for uncollectible accounts. The allowances for uncollectible customer accounts recorded in the proprietary funds are based on past history of uncollectible accounts and management's analysis of current accounts. Bad debts in the proprietary funds are recorded by the direct write-off method.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the statement of net position.

Materials and Supplies

Inventories are valued at lower of average cost or market, using the first-in/first-out (FIFO) method.

Other Current Assets

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements as other current assets.

Stored Natural Gas

Natural gas is recorded at its cost when injected into the system and removed at its average cost when withdrawn from storage.

Restricted assets

Restricted assets include trust accounts held per bond indentures. The indentures state the requirements for accumulation and disbursement. Other restricted assets come from a variety of sources, including amounts to fund post-employment benefits and insurance policy requirements.

MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS

September 30, 2019

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital Contributions - Aid in Construction

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

As permitted by industry practice, it is the Electric System's policy not to record amounts received as grants in aid of construction as capital contributions. The substance of this accounting treatment reduces construction work in progress and the cost of operating the Electric System by reducing depreciation expense and tax equivalents.

Capital assets

Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed on the straight-line basis over the related estimated useful life of the asset, ranging from 5 to 50 years. Direct costs, such as labor, material charges, payroll taxes, insurance, transportation, depreciation, pensions and other related expenses are capitalized. These costs are accumulated in work-in-process accounts and are capitalized to the proper plant accounts at the completion of the construction activity. Retirements of units of property from service are charged to the accumulated depreciation accounts at the original cost of the units plus cost of removal. Salvage value of the units is credited to the accumulated depreciation account. The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense as incurred.

Depreciation expense allowed for transportation equipment and communication equipment is allocated to operating accounts and to construction work in progress as overhead is incurred.

Compensated absences

Employees are permitted to accumulate earned but unused Paid Time Off (PTO). PTO is accrued when incurred and reported as a liability. Employees may accrue a maximum of 350 hours. When 200 hours are accrued, hourly employees have the option of cashing out any hours over 200 at 75% of the hourly pay up to a maximum of 50 hours per calendar year. Upon separation or retirement from service, employees receive full payment for unpaid PTO.

Long-term obligations

Decatur Utilities may from time to time issue revenue bonds for system improvements. Bond issue repayment terms are stated by trust agreements and restricted assets are maintained per the trust indentures. These obligations are reported as liabilities in the proprietary fund type Statement of Net Position. Debt premiums and discounts, as well as issuance costs, are amortized over the life of the debt using the effective interest method. Debt is reported net of the applicable premium or discount. The Utility will continue to report bond cost as an asset and amortize those over the life of the bonds instead of expensing those costs in the current year in accordance with certain provisions included in GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This regulatory option as part of GASB Statement No. 65 is available due to the above mentioned cost being used for rate setting by the utility.

MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS

September 30, 2019

Net Position Flow Assumption

Sometimes the Board will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as Restricted – Net Position and Unrestricted – Net Position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Board's policy to consider Restricted – Net Position to have been depleted before Unrestricted – Net Position is applied.

Net Position

Equity is classified as Net Position and displayed in the following three components:

- Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction, or improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.
- Restricted – Consists of Net Position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities.
- Unrestricted – All other Net Position that do not meet the description of the above categories.

Other Post-Employment Benefits

Information about the Utility's participation in their single employer post-employment benefits plan have been determined on the same basis as they are reported by the other post-employment benefits plan. For this purpose, benefits are recognized when due and payable in accordance with the benefit terms of the other post-employment benefits plan.

Memo Totals

Memo total columns in the financial statements are captioned "memo total" to indicate that they are presented to facilitate financial statement analysis. Data in these columns do not present financial positions, activities, or changes in net position in conformity with accounting principles generally accepted in the United States of America. The "memo total" is also not comparable to a combination or consolidation. Inter-system eliminations have not been made in the aggregation of this data.

Impact of other recently issued accounting pronouncements

In March 2018, the GASB issued Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for financial statements for periods beginning after June 15, 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Management has implemented this statement in the current financial statements.

**MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS**

September 30, 2019

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The Utility adopts flexible annual operating and capital budgets. Budgets are adopted on a basis consistent with generally accepted accounting principles. The current operating budget details the Utility's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest, and general functions and other charges for the fiscal year. The capital budget details the plan to receive and expend cash basis capital contributions, special assessments, grant borrowings, and certain revenues for capital projects.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Custodial credit risk

Decatur Utilities pools cash bank deposits for all systems. At fiscal year end, the carrying amount of book balance was \$65,538,747. The bank balances were \$65,412,566, including restricted cash in the Improvement Fund and the Replacement and Extension Fund. Of the bank balances, \$500,000 was covered by federal depository insurance. The remaining balance was covered by the State of Alabama through the Security for Alabama Funds Enhancement Act (SAFE) program.

The Series 2013 Water System and Series 2012 SRF Water System US Treasury Obligation Fund listed in Note 3E were held by Decatur Utilities' financial institutions' trust department or agent in Decatur Utilities' name as restricted assets for the bond indentures. At year-end the investments' carrying amounts are stated at their approximate fair value. The Funds are invested in US Treasury Obligations and are secured by trust agreements associated with the bond issues.

The Series 2010 and 2013 Wastewater System Warrant Funds are invested in a bank investment account, which is covered by the State of Alabama through the Security for Alabama Funds Enhancement Act (SAFE) program. Additionally, the Warrant Fund is a trust account held in Decatur Utilities' name as required by the bond indenture.

B. Receivables

Receivables as of the year end for the Utility, including the applicable allowances for uncollectible accounts are as follows:

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>
Customer accounts receivable	\$ 12,691,529	\$ 953,802	\$ 1,620,499	\$ 1,723,002	\$ 372,541
Allowance	(3,667,994)	(406,965)	(343,843)	(395,728)	-
Net accounts receivable	<u>\$ 9,023,535</u>	<u>\$ 546,837</u>	<u>\$ 1,276,656</u>	<u>\$ 1,327,274</u>	<u>\$ 372,541</u>

C. Inter-fund Receivables and Payables and Transfers

The Electric System pays a tax equivalent to the City of Decatur based on net capital asset values at September 30 (excluding any spare transformers). The asset values are separated into two categories based on geographic location. For assets located in the City, a tax rate of \$.0453 is paid. For assets located outside the city limits, Decatur Utilities pays a tax rate of \$.0344.

MUNICIPAL UTILITIES BOARD OF DECATUR
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Current City ordinances require the Gas System to pay a monthly sum equal to one-twelfth of the estimated one-half of the annual fiscal year net revenues of the Gas System to the City of Decatur. Net revenue is defined per the ordinance and a mechanism to adjust estimated net revenue to actual at year-end is incorporated.

In order to comply with resolutions passed by the City of Decatur, the Water System collects and pays a monthly sum equal to \$.0505 per 1000 gallons of water charged to retail customers, and \$.1000 per 1000 gallons of water charged to wholesale customers. The Wastewater System collects and pays a monthly sum equal to \$.0205 per 1000 gallons of wastewater charged to all customers to the City General fund. In addition, the Wastewater System collects and pays \$.1350 per 1000 gallons of wastewater charged to customers to the Sewer Revolving Fund, a City Debt Service fund, as well as \$.0500 per 1000 gallons for the Sewer Enhancement Fund. The Sewer Enhancement Fund is held on the books of the Utilities' Administrative System. It is to be used for the enhancement and/or expansion of the sewer infrastructure and facilities operated by the Utility upon request of either the Municipal Utilities Board and/or the City Council of Decatur, with the written consent by resolution of the other. The balance in the Sewer Enhancement Fund at September 30, 2019 is \$384,653.

The following amounts are due from/due to the City of Decatur. These amounts include balances due for utility services provided by Decatur Utilities to the City.

	Due from City	Due to City
Electric	\$ 195,902	\$ -
Gas	5,205	36,994
Water	32,725	59,875
Sewer	26,670	87,238
Administrative (Garbage)	11,223	379,602
Total	<u>\$ 271,725</u>	<u>\$ 563,709</u>

D. Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Electric System				
Land	\$ 715,373	\$ -	\$ (613)	\$ 714,760
Utility Plant	84,267,684	7,066,680	(1,842,940)	89,491,424
Construction in progress	4,480,493	9,551,545	(13,321,430)	710,608
Less: Accumulated depreciation	(43,173,702)	(2,966,970)	2,069,517	(44,071,155)
Net Electric Plant	<u>\$ 46,289,848</u>	<u>\$ 13,651,255</u>	<u>\$ (13,095,466)</u>	<u>\$ 46,845,637</u>
Gas System				
Land	\$ 124,816	\$ -	\$ -	\$ 124,816
Utility Plant	38,446,941	1,913,681	(158,687)	40,201,935
Construction in progress	644,969	6,379,579	(6,830,951)	193,597
Less: Accumulated depreciation	(18,121,514)	(1,008,156)	164,609	(18,965,061)
Net Gas Plant	<u>\$ 21,095,212</u>	<u>\$ 7,285,104</u>	<u>\$ (6,825,029)</u>	<u>\$ 21,555,287</u>

MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS

September 30, 2019

Water System

Land	\$ 483,281	\$ -	\$ -	\$ 483,281
Utility Plant	125,815,040	6,442,504	(847,744)	131,409,800
Construction in progress	1,212,877	6,731,543	(7,289,721)	654,699
Less: Accumulated depreciation	<u>(56,032,607)</u>	<u>(3,261,832)</u>	<u>816,760</u>	<u>(58,477,678)</u>
Net Water Plant	<u>\$ 71,478,591</u>	<u>\$ 9,912,215</u>	<u>\$ (7,320,705)</u>	<u>\$ 74,070,102</u>

Wastewater System

Land	\$ 1,678,323	\$ -	\$ (664)	\$ 1,677,659
Utility Plant	173,073,604	11,908,987	(1,539,057)	183,443,532
Construction in progress	9,641,303	26,432,238	(28,386,793)	7,686,749
Less: Accumulated depreciation	<u>(55,746,769)</u>	<u>(4,540,736)</u>	<u>1,475,536</u>	<u>(58,811,968)</u>
Net Wastewater Plant	<u>\$ 128,646,461</u>	<u>\$ 33,800,489</u>	<u>\$ (28,450,978)</u>	<u>\$ 133,995,972</u>

Administrative System

Land	\$ 71,407	\$ -	\$ -	\$ 71,407
Buildings	6,306,124	305,086	(734,762)	5,876,448
Construction in progress	154,299	997,092	(902,528)	248,863
Less: Accumulated depreciation	<u>(4,250,094)</u>	<u>(384,339)</u>	<u>734,763</u>	<u>(3,899,670)</u>
Net Administration Plant	<u>\$ 2,281,736</u>	<u>\$ 917,839</u>	<u>\$ (902,527)</u>	<u>\$ 2,297,048</u>

Depreciation expense amounted to \$11,381,094 charged to operations and \$780,938 charged to other operating accounts and construction in progress in 2019.

Reconciliation of depreciation expense with cash flow information:

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>
Depreciation expense per Statement of Revenues, Expenses and Changes in Net Position	<u>\$2,749,178</u>	<u>\$ 960,624</u>	<u>\$3,217,884</u>	<u>\$ 4,453,408</u>	<u>\$ -</u>
Depreciation allocated to other operating accounts and construction in progress	<u>198,208</u>	<u>47,532</u>	<u>43,948</u>	<u>107,812</u>	<u>384,339</u>
Depreciation expense per the Statement of Cash Flows	<u>\$2,947,386</u>	<u>\$ 1,008,156</u>	<u>\$3,261,832</u>	<u>\$ 4,561,220</u>	<u>\$ 384,339</u>

E. Long-term Debt

The Utility complied with all significant debt covenants and restrictions as set forth in the bond agreements across all systems.

The bonds payable for all systems contain provisions that in the event of default, the lender can exercise one or more of the following options: (1) Make all or any of the outstanding bonds payable balance immediately due and accrued interest at highest post maturity interest rate, (2) Use any remedy allowed by state or federal law.

**MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS**

September 30, 2019

The Utility has a \$5,000,000 line of credit with Renasant Bank with a variable per annum rate of interest equal to Wall Street prime minus one percent (1.00%). The line of credit expires on August 25, 2020. The balance outstanding of September 30, 2019 is \$0 dollars.

Electric and Gas Systems

Currently, the Electric and Gas Systems do not have outstanding long-term debt.

Water System Debt

Decatur Utilities and the City issues revenue bonds primarily to finance improvements to the Water System. These bonds are being repaid from revenues derived by Decatur Utilities from the operation of the System after payment of the reasonable and necessary expenses of maintaining the operating system. The 2013 bonds were issued at \$10,410,000. Total bonds outstanding at September 30, 2019 were \$10,410,000 at interest rates ranging from 2.0% to 4.0%. The bonds are expected to mature in 2033. The System's unamortized debt expense at September 30, 2019 was \$154,205.

The Alabama Drinking Water Finance Authority (the "Authority") loaned to the Water System \$7,367,402 with funds made available to the Authority by the American Recovery and Reinvestment Act (the "ARRA"). Of this amount, \$3,662,402 was previously forgiven pursuant to the ARRA and recorded as capital contributions on the Statement of Revenues, Expenses, and Changes in Net Position. The Authority required that Decatur Utilities issue a water warrant in the amount of the loan less the ARRA forgiveness portion. The 2012 Series SRF Water Warrants were issued in the amount of \$490,000. Total bonds outstanding at September 30, 2019 were \$370,000. The bonds are expected to mature in 2033.

The Wastewater System loaned to the Water System \$2,212,204, with funds made available to the System. Total loans outstanding at September 30, 2019 was \$2,212,204. The loan is expected to mature in 2031.

	<u>10/1/2018</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>9/30/2019</u>	<u>Current</u>
Water Series 2009	2,050,000	-	2,050,000	-	-
Water Series 2009/SRF	2,335,000	-	2,335,000	-	-
Water Series 2012/SRF	390,000	-	20,000	370,000	20,000
Water Series 2013	10,410,000	-	-	10,410,000	605,000
Unamortized debt expense	(187,630)	-	(33,425)	(154,205)	-
Total	<u>14,997,370</u>	<u>-</u>	<u>4,371,575</u>	<u>10,625,795</u>	<u>625,000</u>

Wastewater System Debt

Decatur Utilities and the City issues revenue bonds primarily to finance improvements to the Wastewater System. The bonds are being repaid from revenues derived by Decatur Utilities from the operation of the System after payment of the reasonable and necessary expenses of maintaining the operating system. The 2010 bonds were issued at \$10,020,000. The 2013 bonds were issued at \$38,745,000. The 2019 bonds were issued at \$9,465,000. Total bonds outstanding from Series 2010, 2013, and 2019 issues at September 30, 2019 were \$38,745,000 at interest rates ranging from 2.00% to 3.95%. The bonds are expected to mature in 2031 and 2033. The System's unamortized debt expense at September 30, 2019 was \$57,982. The System's unamortized debt premium at September 30, 2019 was \$(155,757).

MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS

September 30, 2019

The Alabama Water Pollution Control Authority (the "Authority") loaned to the Wastewater System \$955,000, with funds made available to the Authority. Of this amount, \$100,000 was previously forgiven and recorded as capital contributions on the Statement of Revenues, Expenses, and Changes in Net Position. The Authority required that Decatur Utilities issue a sewer warrant in the amount of the loan less the forgiveness portion. The 2012 Series SRF Wastewater Warrants were issued in the amount of \$855,000. Total bonds outstanding at September 30, 2019 were \$650,000. The bonds are expected to mature in 2033.

	<u>10/1/2018</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>9/30/2019</u>	<u>Current</u>
Bonds:					
Wastewater Series 2009/SRF	7,650,000	-	7,650,000	-	-
Wastewater Series 2010	2,150,000	-	1,055,000	1,095,000	1,095,000
Wastewater Series 2012/SRF	685,000	-	35,000	650,000	40,000
Wastewater Series 2013	29,780,000	-	1,595,000	28,185,000	1,645,000
Wastewater Series 2019	-	9,465,000	-	9,465,000	720,000
Unamortized debt expense	144,022	-	46,248	97,774	-
Total	<u>40,409,022</u>	<u>9,465,000</u>	<u>10,381,248</u>	<u>39,492,774</u>	<u>3,500,000</u>

Future maturities of debt across all systems are as follows;

Year ending			
September 30,	Principal	Interest	Total
2020	\$ 4,125,000	\$ 1,456,322	\$ 5,581,322
2021	3,100,000	1,361,043	4,461,043
2022	3,185,000	1,275,213	4,460,213
2023	3,270,000	1,186,979	4,456,979
2024	3,365,000	1,096,343	4,461,343
2025-2029	18,275,000	4,022,588	22,297,588
2030-2033	14,855,000	1,198,425	16,053,425
	<u>\$ 50,175,000</u>	<u>\$ 11,596,913</u>	<u>\$ 61,771,913</u>

F. Net Position

Net Position represents the differences between assets and liabilities. The Net Positions were as follows:

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>
Net invested in capital assets	\$ 46,845,637	\$ 21,555,287	\$ 63,444,306	\$ 94,503,197	\$ 2,297,048
Restricted	3,857,341	3,526,783	7,262,291	8,976,648	389,653
Unrestricted (deficit)	(2,639,164)	(4,318,723)	(8,708,848)	3,164,601	866,235
Total net position	<u>\$ 48,063,814</u>	<u>\$ 20,763,348</u>	<u>\$ 61,997,749</u>	<u>\$ 106,644,447</u>	<u>\$ 3,552,936</u>

G. Restricted Assets

The restricted assets consist of the following:

MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS

September 30, 2019

Electric System	<u>September 30, 2019</u>
Schedule of restricted assets	
Other Post Retirement Benefits Fund, medical and life	3,781,416
Electric Partnership Credit Fund	75,925
Total Restricted Assets	<u>\$ 3,857,341</u>

Gas System	<u>September 30, 2019</u>
Schedule of restricted assets	
Other Post Retirement Benefits Fund, medical and life	1,343,308
Restricted for future capital projects	2,183,476
Total Restricted Assets	<u>\$ 3,526,783</u>

Water System	<u>September 30, 2019</u>
Series 2009 and 2013 Warrant Fund:	
U.S. Treasury Obligation Fund (variable interest rate)	\$ 2,384,641
Series 2009 Reserve Fund:	
U.S. Treasury Obligation Fund (variable interest rate)	1,761,393
Improvement Fund:	
Bank checking, included in SAFE program	500,000
Other Post Retirement Benefits Fund, medical and life	2,388,007
Series 2019 Reserve Fund:	
U.S. Treasury Obligation Fund (variable interest rate)	366,742
Total Restricted Assets	<u>\$ 7,400,784</u>

Wastewater System	<u>September 30, 2019</u>
Series 2004, 2010, & 2013 Warrant Fund	
Bank Investment Account (interest yield at federal fund rate)	\$ 4,042,961
Series 2009 Reserve Fund:	
U.S. Treasury Obligation Fund (variable interest rate)	2,599,925
Other Post Retirement Benefits Fund, medical and life	1,997,939
Replacement and Extension Fund	
Bank checking, included in SAFE program	500,000
Total Restricted Assets	<u>\$ 9,140,825</u>

**MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS**

September 30, 2019

Administrative System	<u>September 30, 2019</u>
Schedule of restricted assets	
Workman's Compensation - funds on deposit held by insurance administrator	5,000
Sewer enhancement fund	384,653
Total Restricted Assets	<u><u>\$ 389,653</u></u>

H. Unbilled Revenue

The Electric System, upon recommendation from TVA, records unbilled revenue as of September 30 each year to record kWh which have been charged to Decatur Utilities but not yet billed to the consumers. This unbilled revenue adjustment enables Decatur Utilities to more adequately match revenue and expenses relating to this purchased power. Decatur Utilities will leave the unbilled revenue accrual throughout the fiscal year and will adjust the amount annually at September 30th of each successive year. The balance at September 30, 2019 is \$3,440,802.

I. Accrued Leave

Accrued PTO at September 30, 2019 is as follows:

	<u>September 30, 2019</u>
Electric	\$ 320,679
Gas	165,953
Water	271,316
Wastewater	195,509
Administrative	-
	<u><u>\$ 953,457</u></u>

J. Other Charges and Credits

Due to the volatility of the cost of natural gas, the Gas System maintains an other charges and credits account to accumulate the difference between monthly estimated gas rates and the rates based on actual cost for residential and commercial customers. Each month, Decatur Utilities estimates residential and commercial gas rates based on the anticipated cost of gas, plus an adjustment for the balance in the deferred account, plus a markup. A rolling average of 12 months is maintained. The intent of this policy is to smooth the cost of natural gas sold to customers each month.

The Gas System accrues net gains from natural gas firm take-or-pay contracts to a liability account. These funds are usually applied against residential and commercial customer rates in winter months when market rates for natural gas are generally higher.

The Gas System also maintains an annualized demand account for most firm (non-interruptible) customers. By December 1 each year, projected natural gas sales volumes and pipeline demand costs are used to calculate a unit demand price. The unit demand price is applied to the subsequent 12 months as the demand cost component of gas to firm pricing take-or-pay contracts (excludes interruptible customers). The balance in the account at December 1 is used to adjust the subsequent year's price.

MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 4 – OTHER INFORMATION

A. Pension Plan

Plan description: The Employees' Retirement System of Alabama, an agency multiple-employer plan, was established 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 operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement 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 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years are as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant § 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 attaining 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 attaining 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 calculated based on a retirement formula. In order to receive disability retirement, the member must have at least 10 years of creditable service and be actively in service. The member is offered several options for the monthly benefit distribution. Under this 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 attaining 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 calculated based on a

MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

retirement formula. In order to receive disability retirement, the member must have at least 10 years of creditable service and be actively in service. The member is offered several options for the monthly benefit distribution. Under this formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

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.

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 90,999 participants. As of September 30, 2018, membership consisted of:

		Utility
Retired beneficiaries currently receiving benefits	\$	113
Terminated employees entitled to but not yet receiving benefit		28
Terminated employees not entitled to a benefit		12
Active members		178
Post-DROP retired members still in active service		-
Total	\$	331

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 were 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 8.25% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% 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 pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2019, the Utility's active employee contribution rate was 5% of covered employee payroll for tier 1 employees and 6% of covered employee payroll for tier 2

MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS

September 30, 2019

employees, and the Utility's average contribution rate to fund the normal and accrued liability costs was 149.30 percent of covered employee payroll.

The Utility's contractually required contribution rate for the year ended September 30, 2019 was 13.57% of pensionable pay for Tier 1 employees, and 11.51% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2016, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$1,404,907 for the year ended September 30, 2019.

Net Pension Liability

The Utility's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017 rolled forward to September 30, 2018 using standard roll-forward techniques as shown in the following table:

	Expected	Actual	Actual
Total Pension Liability as of September 30, 2017 (a)	\$ 51,383,201	\$ 52,289,890	\$ 52,560,072
Discount Rate (b)	7.75%	7.75%	7.70%
Entry Age Normal Cost for October 1, 2017 - September 30, 2018 (c)	\$ 785,826	\$ 785,826	\$ 793,201
Transfers Among Employees (d)	\$ -	\$ 109,124	\$ 109,124
Actual Benefit Payments and Refunds for October 1, 2017 - September 30, 2018 (e)	\$ (3,112,066)	\$ (3,112,066)	\$ (3,112,066)
Total Pension Liability (f) as of September 30, 2018 [(a) x (1+(b))] + (c) + (d) + [e x (1+.5 x (b))]	\$ 52,918,567	\$ 54,004,648	\$ 54,277,643
Difference between expected and actual experience (Gain)/Loss (g)		\$ 1,086,081	
Less Liability Transferred for Immediate recognition		\$ 109,124	
Experience (Gain)/Loss = (g) - (h)		\$ 976,957	
Difference between actual at 7.70% and Actual at 7.75%			\$ 272,995

Actuarial assumptions: The total pension liability as of September 30, 2018 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2017. The key actuarial assumptions are summarized below:

MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS

September 30, 2019

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

* Net of pension plan investment expense

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

The actuarial assumptions used in the actuarial valuation as of September 30, 2017, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	17.00%	4.40%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%

**Includes assumed rate of inflation of 2.50%*

Discount rate: The discount rate used to measure the total pension liability was the long term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current pan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS

September 30, 2019

Changes in Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 9/30/2017	\$ 51,383,201	\$ 35,089,454	\$ 16,293,747
Changes for the year:			
Service cost	785,826	-	785,826
Interest	3,861,606	-	3,861,606
Change of assumptions	272,995	-	272,995
Differences between expected and actual experience	976,957	-	976,957
Contributions - employer	-	1,440,567	(1,440,567)
Contributions - employee	-	547,638	(547,638)
Net investment income	-	3,200,475	(3,200,475)
Benefit payments, including refunds of employee contributions	(3,112,066)	(3,112,066)	-
Administrative expense	-	-	-
Transfers among employers	109,124	109,124	-
Net changes	2,894,442	2,185,738	708,704
Balances at 9/30/2018	<u>\$ 54,277,643</u>	<u>\$ 37,275,192</u>	<u>\$ 17,002,451</u>

Sensitivity of the net pension liability to changes in the discount rate: The following table presents the Utility's net pension liability calculated using the discount rate of 7.70%, as well as what the Utility's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.70%) or 1-percentage-point higher (8.70%) than the current rate:

	1% Decrease (6.70 %)	Current Rate (7.70 %)	1% Increase (8.70 %)
Utility's net pension liability	\$ 22,992,362	\$ 17,002,451	\$ 11,908,785

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditor's report dated August 17, 2019 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended September 30, 2019, the Utility recognized pension expense of \$1,173,134. At September 30, 2019, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS

September 30, 2019

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Differences between expected and actual experience	\$ 799,328	\$ 518,926
Changes of assumptions	673,087	-
Net difference between projected and actual earnings on pension plan investments	-	1,220,220
Employer contributions subsequent to the measurement date	1,404,907	-
Total	<u>\$ 2,877,322</u>	<u>\$ 1,739,146</u>

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

Year ended September 30:	
2020	\$ (25,605)
2021	(241,392)
2022	(198,851)
2023	85,485
2024	113,632
Thereafter	-

B. Risk Management

The Utility is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended September 30, 2019, the Utility purchased commercial insurance for all the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage during the year.

C. Commitments and Contingencies

Under its wholesale power agreement, the Electric System is committed to purchase its electric power and energy requirement from the Tennessee Valley Authority (TVA). The rates for such purchases are subject to review periodically. Additionally, the Electric System has entered into a TVA agreement that allows customers to finance new and/or replacement HVAC units and repay on their monthly utility bill. DU serves as the collection agent for repayment of these loans. The outstanding balance of these loans receivable was \$3,635,932 and the outstanding balance due to TVA for collection of the loans was also \$3,635,932.

Occasionally, the Gas System enters into natural gas purchase commitments to purchase minimum volumes of gas at fixed prices for up to five years in advance. These futures can either be held for use in the contracted future month or cashed out at a profit and the proceeds used to reduce the cost of gas in future months. At September 30, 2019 contract commitments total \$2,203,800 for fiscal year 2020, \$2,207,500 for fiscal year 2021, \$1,787,100 for fiscal year 2022, \$1,395,200 for fiscal year 2023, and \$87,000 for fiscal year 2024. At December 31, 2019, no purchase commitments extended beyond March 2024 and additional outstanding commitments were \$219,000 for fiscal year 2020 and \$552,000 for fiscal year 2024.

**MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS**

September 30, 2019

D. Other Post-Employment Benefits

The Utility sponsors a single-employer defined benefit health and death benefit plan, the Decatur Utilities defined benefit post-retirement medical plan.

Plan Description

Decatur Utilities provides post-employment benefits other than pension to all full time employees who retire as an eligible participant in the retirement plan described in Note 4A. These benefits are approved by the board of directors. Contribution funding is also approved by the board. Benefits provided to retirees at September 30, 2019 include:

1. Retiree group health/dental benefits to age 65. Retiree contributes to the premium.
2. Retiree Medicare Supplement policy at age 65. Retiree contributes to the premium.
3. Dependent group health/dental benefits to age 65. Retiree contributes to the premium.
4. Spouse Medicare Supplement policy at age 65. Retiree contributes to the premium. Benefit lapses at date of death of the retiree.
5. Retirees who have a hire date on or after 1/1/04 and are 55 or older have group health/dental for a reduced 10-year period and contribute to the premium.
6. Early Retirement Medical Option - Employees retiring under age 55 have a reduced 10-year benefit period and contribute to the premium.
7. Life insurance based upon an amount agreed upon prior to retirement. Not restricted to those who retire at age 55 or older. Employees hired after January 1, 2003 do not have this benefit.

Annual OPEB Cost and Net OPEB Obligation

Changes in System's Net OPEB Liability. Changes in the System's net OPEB liability measured at September 30, 2019 are detailed in the following tables. Table 1A shows the net OPEB liability as of September 30, 2019, which is what is reported in the financial statements in accordance with GASB Statement No. 75. Total OPEB Liability was rolled forward to September 30, 2019 in order to be in compliance with GASB Statement No. 75.

	<u>Table 1A</u>		
	<u>(a) Total OPEB Liability (TOL)</u>	<u>(b) Plan Fiduciary Net Position</u>	<u>(a) - (b) Net OPEB Liability</u>
Total OPEB Liability (TOL) September 30, 2018	\$ 35,020,837	\$ -	\$ 35,020,837
Service Cost	424,692	-	424,692
Interest	1,269,752	-	1,269,752
Difference Between Actual and Expected Experiences	(5,687,159)	-	(5,687,159)
Changes of assumptions	(1,338,994)	-	(1,338,994)
Net Investment Income	-	-	-
Actual System Contributions	-	941,411	(941,411)
Benefit Payments	(941,411)	(941,411)	-
Administrative Expense	-	-	-
Net Changes	<u>(6,273,120)</u>	<u>-</u>	<u>(6,273,120)</u>
Total OPEB Liability(TOL) September 30, 2019	<u>\$ 28,747,717</u>	<u>\$ -</u>	<u>\$ 28,747,717</u>

**MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS**

September 30, 2019

Actuarial Methods and Assumptions

The valuation was based on information provided by the Utility as of October 1, 2018 and only those not frozen in the defined benefit plan.

Plan Membership

Number of Participants	
Actives (with medical coverage)	145
Actives (without medical coverage)	19
Retirees (with medical coverage)	90
Retirees (without medical coverage)	47
Total Participants	301
Annual Projected Payroll	\$ 9,259,586
Average Projected Earnings	\$ 56,401

Benefits Provided

Employees retiring after age 62 with at least 15 years of service has the option to maintain health insurance after they retire (including subsidized beneficial coverage), until they reach age 65. For anyone retiring at age 62, the Authority pays 100% of individual coverage and 0% of dependent coverage before age 65. In addition, the plan provides \$25,000 in post-retirement death benefits to retirees until they reach age 65.

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases		2.50%
Health Trend	Medical: 7.5% to grade uniformly to 6.75% over a 3 year period. Dental: 3.0% per annum	
Actuarial Cost Method	Entry age normal	

Mortality rates were based on the RP-2014 annuity for healthy males and RP-2014 annuity for healthy females with generational mortality improvement to current year under Projection Scale MP-2018.

The actuarial assumptions used in the September 30, 2019 valuation were based on the results of an actuarial experience study for the period ending October 1, 2019.

Discount rate

The discount rate used to measure the total OPEB liability was 3.68 percent. The projection of cash flows used to determine the discount rate assumed that the Utility's contributions will made at rates equal to the actuarially determined contribution rates.

**MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS**

September 30, 2019

Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following represents the Net OPEB Liability calculated using the stated health care cost trend assumption, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1-percentage point higher than the assumed trend rate:

	1% Decrease 6.5% decreasing to 5.75%	Current 7.5% decreasing to 6.5%	1% Increase 8.5% decreasing to 7.75%
Total OPEB Liability	\$ 25,365,936	\$ 28,747,717	\$ 32,915,416
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>25,365,936</u>	<u>28,747,717</u>	<u>32,915,416</u>

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following represents the Net OPEB Liability calculated using the stated discount rate, as well as what the Net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1-percentage point higher than the current rate:

	1% Decrease 2.68%	Current 3.68%	1% increase 4.68%
Net OPEB Liability	\$ 33,244,753	\$ 28,747,717	\$ 25,103,356
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>33,244,753</u>	<u>28,747,717</u>	<u>25,103,356</u>

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

For the year ended September 30, 2019, the System recognized OPEB expense of \$416,962. At September 30, 2019, the System reported deferred outflows of related to OPEB liability from the following sources:

	September 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,653,130
Change of assumptions	-	1,095,541
Post-measurement contribution	-	-
Total	<u>\$ -</u>	<u>\$ 5,748,671</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows as of the fiscal year ending September 30, 2019:

MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS

September 30, 2019

Year ending June 30,	Amortized
2020	(1,277,482)
2021	(1,277,482)
2022	(1,277,482)
2023	(1,277,482)
2024	(638,743)
Thereafter	-

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to discount, trend rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Payment of Benefits. Benefits are recorded when the participant has met all of the Plan requirements to receive a benefit. At September 30, 2019 no benefits were payable and not paid.

Administrative Expenses. Qualified Plan administrative expenses are paid by the Plan. During the year ended September 30, 2019 administrative expenses paid were \$0.

REQUIRED SUPPLEMENTARY INFORMATION

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED
RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN
RETIREMENT SYSTEMS OF ALABAMA

September 30, 2019

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service cost	\$ 785,826	\$ 765,318	\$ 762,211	\$ 735,009	\$ 719,118
Interest	3,861,606	3,777,084	3,701,363	3,669,670	3,551,873
Changes in benefit terms	-	-	-	-	-
Differences between actual & expected experience	976,957	(414,798)	(37,776)	(1,104,264)	-
Change of assumptions	272,995	-	1,011,888	-	-
Benefit payments, including refunds of employee contributions	(3,112,066)	(2,878,582)	(3,069,854)	(2,738,647)	(2,858,415)
Transfers among employees	109,124	(41,676)	6,054	-	-
Net change in total pension liability	2,894,442	1,207,346	2,373,886	561,768	1,412,576
Total pension liability - beginning	<u>51,383,201</u>	<u>50,175,855</u>	<u>47,801,969</u>	<u>47,240,201</u>	<u>45,827,625</u>
Total pension liability - ending (a)	<u>54,277,643</u>	<u>51,383,201</u>	<u>50,175,855</u>	<u>47,801,969</u>	<u>47,240,201</u>
Plan fiduciary net position					
Contributions - employer	1,440,567	1,415,404	1,451,760	1,481,898	1,439,683
Contributions - employee	547,638	533,792	517,917	588,751	478,274
Net investment income	3,200,475	4,038,012	3,010,348	357,511	3,314,923
Benefit payments, including refunds of employee contributions	(3,112,066)	(2,878,582)	(3,069,854)	(2,738,647)	(2,858,415)
Transfers among employees	109,124	(41,675)	6,054	(103,901)	96,722
Net change in plan fiduciary net position - beginning	2,185,738	3,066,951	1,916,225	(414,388)	2,471,187
Plan fiduciary net position - beginning	<u>35,089,455</u>	<u>32,022,504</u>	<u>30,106,279</u>	<u>30,520,667</u>	<u>28,049,480</u>
Plan fiduciary net position - ending (b)	<u>37,275,193</u>	<u>35,089,455</u>	<u>32,022,504</u>	<u>30,106,279</u>	<u>30,520,667</u>
Net pension liability (asset) - ending (a) - (b)	17,002,450	16,293,746	18,153,351	17,695,690	16,719,534
Plan fiduciary net position as a percentage of total pension liability	68.68%	68.29%	63.82%	62.98%	64.61%
Covered - employee payroll	11,388,209	10,665,563	10,397,431	9,916,527	9,655,596
Net pension liability (asset) as a percentage of covered - employee payroll	149.30%	152.77%	174.59%	178.45%	173.16%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

See independent auditor's report.

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE PUBLIC
EMPLOYEE PENSION PLAN OF RETIREMENT SYSTEMS OF ALABAMA

For the Year Ended September 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 1,404,907	\$ 1,391,790	\$ 1,415,401	\$ 1,451,818	\$ 1,481,882	\$ 1,439,683
Contributions in relation to the actuarially determined contribution	<u>1,404,907</u>	<u>1,391,790</u>	<u>1,415,401</u>	<u>1,451,818</u>	<u>1,481,882</u>	<u>1,439,683</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Covered-employee payroll	\$ 11,307,292	\$ 11,388,209	\$ 10,665,563	\$ 10,397,431	\$ 9,916,527	\$ 9,655,596
Contributions as a percentage of covered - employee payroll	12.42%	12.22%	13.27%	13.96%	14.94%	14.91%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

See independent auditor's report.

MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT SYSTEMS OF ALABAMA
For the Year Ended September 30, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	26.3 years
Asset valuation method	Five year smoothed market
Inflation	2.875%
Salary increases	3.375 - 5.125%, including inflation
Investment rate of return	7.875%, net of pension plan investment expense, including inflation

See independent auditor's report.

**MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
AND RELATED RATIOS**

For the Year Ended September 30, 2019

Total OPEB Liability	<u>2019</u>	<u>2018</u>
Service cost	424,692	\$ 577,544
Interest	1,269,752	1,076,050
Changes of benefit terms	-	-
Differences between expected and actual experience	(5,687,159)	-
Changes of assumptions	(1,338,994)	-
Benefits Payments and Refunds	<u>(941,411)</u>	<u>(822,065)</u>
Net Change in Total OPEB Liability	(6,273,120)	831,529
Total OPEB Liability - beginning	<u>35,020,837</u>	<u>34,189,308</u>
Total OPEB Liability - ending (a)	<u>\$ 28,747,717</u>	<u>\$ 35,020,837</u>
Covered Employee Payroll	\$ 9,259,586	\$ 9,721,892
Net OPEB Liability as a % of covered-employee payroll	310.46%	360.23%

These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

See independent auditor's report.

**MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF NOTES TO OPEB REQUIRED SUPPLEMENTARY
INFORMATION**

For the Year Ended September 30, 2019

Notes to OPEB Required Supplementary Information

Valuation Date: Actuarially determined contribution rates for 2019 were calculated based on the October 1, 2019 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actual cost method:	Entry age normal - level percent of pay	
Mortality:	RP-2014 Adjusted to 2006 total dataset headcount-weighted mortality with MP 2018.	
Turnover:	None	
Retirement rates:	<u>Age</u>	<u>Rate of retirement</u>
	50	10%
	51-54	5%
	55	20%
	56-64	5%
	65	100%
Salary Increases	2.50%	
Discount rate:	The discount rate used to measure the total OPEB liability was 3.68 percent. Based on the S&P Municipal Bond 20 Year High	
Health Care Cost Trend Rate:	Medical - 7.5% to grade uniformly to 6.75% over a 3 year period Dental - 3.0% per annum	

See independent auditor's report.

SUPPLEMENTARY AND OTHER INFORMATION SECTION

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF LONG-TERM DEBT
September 30, 2019

Year Ended <u>September 30,</u>	2019 Series Wastewater Warrants		2010 Series Wastewater Warrants		2012 Series SRF Wastewater Warrants		2013 Series Wastewater Warrants	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 720,000	\$ 174,198	\$ 1,095,000	\$ 28,580	\$ 40,000	\$ 17,875	\$ 1,645,000	\$ 897,181
2021	715,000	176,649	-	-	40,000	16,775	1,695,000	847,831
2022	730,000	162,206	-	-	40,000	15,675	1,745,000	796,981
2023	745,000	147,460	-	-	40,000	14,575	1,795,000	744,631
2024	760,000	132,411	-	-	45,000	13,475	1,850,000	690,781
2025	780,000	117,059	-	-	45,000	12,238	1,905,000	635,281
2026	795,000	101,303	-	-	45,000	11,000	1,960,000	578,131
2027	810,000	85,244	-	-	45,000	9,763	2,020,000	519,331
2028	830,000	68,882	-	-	50,000	8,525	2,080,000	458,731
2029	840,000	52,116	-	-	50,000	7,150	2,150,000	391,131
2030	860,000	35,148	-	-	50,000	5,775	2,220,000	321,256
2031	880,000	17,776	-	-	50,000	4,400	2,295,000	246,331
2032	-	-	-	-	55,000	3,025	2,370,000	168,875
2033	-	-	-	-	55,000	1,513	2,455,000	85,925
	<u>\$ 9,465,000</u>	<u>\$ 1,270,452</u>	<u>\$ 1,095,000</u>	<u>\$ 28,580</u>	<u>\$ 650,000</u>	<u>\$ 141,764</u>	<u>\$ 28,185,000</u>	<u>\$ 7,382,397</u>

See independent auditor's report.

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF LONG-TERM DEBT
September 30, 2019

Year Ended	2012 Series/SRF Water Warrant		2013 Series Water Warrant		Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2020	\$ 20,000	\$ 10,175	\$ 605,000	\$ 328,313	\$ 4,125,000	\$ 1,456,322	\$ 5,581,322
2021	25,000	9,625	625,000	310,163	3,100,000	1,361,043	4,461,043
2022	25,000	8,938	645,000	291,413	3,185,000	1,275,213	4,460,213
2023	25,000	8,250	665,000	272,063	3,270,000	1,186,979	4,456,979
2024	25,000	7,563	685,000	252,113	3,365,000	1,096,343	4,461,343
2025	25,000	6,875	705,000	231,563	3,460,000	1,003,016	4,463,016
2026	25,000	6,188	725,000	210,413	3,550,000	907,035	4,457,035
2027	25,000	5,500	745,000	188,663	3,645,000	808,501	4,453,501
2028	25,000	4,813	770,000	166,313	3,755,000	707,264	4,462,264
2029	30,000	4,125	795,000	142,250	3,865,000	596,772	4,461,772
2030	30,000	3,300	820,000	116,413	3,980,000	481,892	4,461,892
2031	30,000	2,475	845,000	89,763	4,100,000	360,745	4,460,745
2032	30,000	1,650	875,000	62,300	3,330,000	235,850	3,565,850
2033	30,000	825	905,000	31,675	3,445,000	119,938	3,564,938
	<u>\$ 370,000</u>	<u>\$ 80,302</u>	<u>\$10,410,000</u>	<u>\$2,693,418</u>	<u>\$50,175,000</u>	<u>\$11,596,913</u>	<u>\$ 61,771,913</u>

See independent auditor's report.

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF OPERATING STATISTICS, ELECTRIC - UNAUDITED
September 30, 2019

	For The Fiscal Years Ended September 30,				
	2019	2018	2017	2016	2015
Revenue					
Residential (net of bad debt)	\$ 33,001,965	\$ 32,674,404	\$ 29,817,588	\$ 30,621,555	\$ 32,188,961
Commercial	7,356,455	7,232,312	7,061,415	7,044,689	7,238,405
Industrial	53,582,563	53,101,223	53,024,425	52,300,510	53,963,746
Street and outdoor lighting	947,444	942,427	955,899	945,825	960,276
Unbilled revenue	(511,559)	1,961,408	(175,594)	185,881	(498,153)
Other operating	1,065,757	1,094,852	1,056,664	1,098,012	1,691,465
Interest and other revenue	515,680	420,831	107,733	46,086	66,528
	<u>\$ 95,958,305</u>	<u>\$ 97,427,457</u>	<u>\$ 91,848,129</u>	<u>\$ 92,242,558</u>	<u>\$ 95,611,228</u>
Expense					
Electric power costs	\$ 82,055,526	\$ 82,311,528	\$ 79,365,208	\$ 79,499,196	\$ 82,504,546
Other operating expenses	7,143,284	7,736,328	7,246,877	7,437,347	7,027,572
Provision for depreciation	2,749,178	2,578,158	2,434,825	2,342,047	2,241,946
Transfer out - tax equivalent	1,759,694	1,736,521	1,703,462	1,698,713	1,686,102
Interest and other expense	7,426	2,013	926	1,078	775
	<u>93,715,108</u>	<u>94,364,548</u>	<u>90,751,298</u>	<u>90,978,381</u>	<u>93,460,941</u>
Net income (loss)	<u>\$ 2,243,197</u>	<u>\$ 3,062,909</u>	<u>\$ 1,096,831</u>	<u>\$ 1,264,177</u>	<u>\$ 2,150,287</u>
Financial					
Plant in service (net)	<u>\$ 46,845,637</u>	<u>\$ 46,289,848</u>	<u>\$ 42,401,396</u>	<u>\$ 42,165,291</u>	<u>\$ 41,138,756</u>
KWH's sold					
Residential	333,060,447	341,257,849	310,302,470	327,232,862	349,083,207
Commercial	66,118,295	68,114,199	67,325,402	68,364,970	69,215,844
Industrial	799,526,013	805,360,267	789,139,768	787,466,736	797,374,329
Other customers	6,842,264	7,069,444	7,192,137	7,280,742	7,233,098
Accrued unbilled kWh	11,383,210	3,170,199	(3,680,273)	4,365,236	(3,263,921)
Total	<u>1,216,930,229</u>	<u>1,224,971,958</u>	<u>1,170,279,504</u>	<u>1,194,710,546</u>	<u>1,219,642,557</u>
Number of customers					
Residential	22,621	22,499	22,528	22,517	22,489
Small commercial	3,341	3,324	3,359	3,358	3,322
Large commercial	517	537	541	538	549
Street and athletic	112	112	109	108	101
Outdoor lighting - code 78	53	59	62	61	64
	<u>26,644</u>	<u>26,531</u>	<u>26,599</u>	<u>26,582</u>	<u>26,525</u>
Line loss	<u>3.28%</u>	<u>2.72%</u>	<u>2.34%</u>	<u>2.91%</u>	<u>3.08%</u>
Miles of line	595.5	594	594	593	593

See independent auditor's report.

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF OPERATING STATISTICS, GAS - UNAUDITED
September 30, 2019

	For The Fiscal Years Ended September 30,				
	2019	2018	2017	2016	2015
Revenue					
Residential (net of bad debt)	\$ 4,389,863	\$ 4,371,592	\$ 3,554,367	\$ 3,456,807	\$ 4,580,909
Commercial	3,087,103	3,402,370	2,916,580	2,831,132	3,893,977
Industrial	7,385,953	7,292,930	7,566,226	6,876,132	8,002,527
Other operating	141,252	170,159	161,107	169,191	186,178
Contributed capital	979,038	48,817	10,325	138,288	81,518
Interest and other revenue	230,549	132,106	21,757	18,925	19,304
	<u>\$ 16,213,758</u>	<u>\$ 15,417,974</u>	<u>\$ 14,230,361</u>	<u>\$ 13,490,475</u>	<u>\$ 16,764,413</u>
Expense					
Gas purchased	\$ 10,832,210	\$ 10,908,578	\$ 10,932,346	\$ 9,490,692	\$ 12,809,361
Other operating expenses	2,963,896	2,848,481	2,745,456	2,732,770	2,698,584
Provision for depreciation	960,624	898,415	872,022	873,270	843,794
Transfer out - tax equivalent	237,738	356,501	-	127,545	165,447
Interest and other expense	2,513	681	313	365	262
	<u>14,996,982</u>	<u>15,012,656</u>	<u>14,550,137</u>	<u>13,224,642</u>	<u>16,517,448</u>
Net income (loss)	<u>\$ 1,216,776</u>	<u>\$ 405,318</u>	<u>\$ (319,776)</u>	<u>\$ 265,833</u>	<u>\$ 246,965</u>
Financial					
Plant in service (net)	<u>\$ 21,555,287</u>	<u>\$ 21,095,212</u>	<u>\$ 20,559,693</u>	<u>\$ 20,402,140</u>	<u>\$ 19,615,617</u>
MCF's sold					
Residential	438,721	451,878	322,226	361,326	502,581
Commercial	485,824	530,737	412,283	427,242	524,976
Industrial	968,477	947,205	888,995	963,163	1,013,603
Flex	770,476	843,375	802,970	740,752	819,805
Transportation	4,310,197	4,123,488	3,780,405	3,732,368	3,670,212
Total	<u>6,973,695</u>	<u>6,896,683</u>	<u>6,206,879</u>	<u>6,224,851</u>	<u>6,531,177</u>
Number of customers					
Residential	11,898	11,884	11,880	11,948	11,961
Commercial	1,656	1,649	1,642	1,650	1,656
Industrial	30	30	27	27	31
Flex	2	2	2	2	2
Transportation	10	10	10	10	11
	<u>13,596</u>	<u>13,575</u>	<u>13,561</u>	<u>13,637</u>	<u>13,661</u>
Loss percentage	<u>1.10%</u>	<u>0.65%</u>	<u>0.40%</u>	<u>0.27%</u>	<u>0.17%</u>
Miles of mains	421	421	421	420	420

See independent auditor's report.

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF OPERATING STATISTICS, WATER - UNAUDITED
September 30, 2019

	For The Fiscal Years Ended September 30,				
	2019	2018	2017	2016	2015
Revenue					
Residential (net of bad debt)	\$ 5,702,132	\$ 5,664,042	\$ 5,790,376	\$ 5,145,729	\$ 3,888,354
Commercial	1,888,585	1,897,542	1,897,043	1,792,369	1,584,953
Industrial	4,809,554	4,556,749	4,691,792	4,510,906	4,065,104
Resale	2,272,387	2,156,640	2,168,199	2,122,410	1,754,994
Other operating	1,260,803	1,235,820	1,327,948	1,223,836	1,196,156
Capital contributions	2,754,770	529,487	999,908	1,861,449	608,413
Interest and other revenue	373,646	228,800	65,637	23,019	20,083
	<u>\$ 19,061,877</u>	<u>\$ 16,269,080</u>	<u>\$ 16,940,903</u>	<u>\$ 16,679,718</u>	<u>\$ 13,118,057</u>
Expense					
Treatment expense	4,920,341	4,529,640	4,806,322	4,536,432	4,333,174
Other operating expenses	3,825,595	3,929,806	4,184,128	4,320,734	4,066,382
Provision for depreciation	3,217,884	3,099,141	2,984,911	2,821,040	2,737,898
Transfer out - tax equivalent	629,903	601,339	617,616	609,657	565,018
Interest and other expense	512,926	646,333	712,226	771,840	834,034
	<u>13,106,649</u>	<u>12,806,259</u>	<u>13,305,203</u>	<u>13,059,703</u>	<u>12,536,506</u>
Net income (loss)	<u>\$ 5,955,228</u>	<u>\$ 3,462,821</u>	<u>\$ 3,635,700</u>	<u>\$ 3,620,015</u>	<u>\$ 581,551</u>
Financial					
Plant in service (net)	<u>\$ 74,070,102</u>	<u>\$ 71,478,591</u>	<u>\$ 71,114,595</u>	<u>\$ 68,720,810</u>	<u>\$ 67,544,064</u>
Gallons sold (1000's)					
Residential	1,493,953	1,467,710	1,550,592	1,576,645	1,485,204
Commercial	1,005,110	1,012,205	1,010,070	1,000,720	954,374
Industrial	5,354,945	5,174,590	5,207,498	5,091,172	4,942,493
Resale	2,323,516	2,219,264	2,253,213	2,223,963	1,922,236
Total	<u>10,177,524</u>	<u>9,873,769</u>	<u>10,021,373</u>	<u>9,892,500</u>	<u>9,304,307</u>
Number of customers					
Residential	22,141	22,052	22,060	22,054	22,034
Commercial	3,253	3,228	3,212	3,202	3,201
Industrial	93	95	95	97	96
Resale	9	10	8	9	9
	<u>25,496</u>	<u>25,385</u>	<u>25,375</u>	<u>25,362</u>	<u>25,340</u>
Loss percentage	<u>11.66%</u>	<u>9.49%</u>	<u>8.21%</u>	<u>3.13%</u>	<u>3.93%</u>
Miles of mains	492	491	490	487	487
Fire hydrants in service	2,060	2,060	2,048	2,039	2,032
Capacity of storage tanks (1000's)	24,000	24,000	24,000	24,000	24,000

See independent auditor's report.

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF OPERATING STATISTICS, WASTEWATER - UNAUDITED
September 30, 2019

	For The Fiscal Years Ended September 30,				
	2019	2018	2017	2016	2015
Revenue					
Residential (net of bad debt)	\$ 4,779,453	\$ 4,804,350	\$ 4,767,727	\$ 4,562,962	\$ 4,582,892
Commercial	2,848,077	2,867,505	2,796,298	2,717,217	2,623,931
Industrial	8,433,810	8,205,795	7,865,044	7,724,714	7,385,112
Government agencies	247,074	158,951	130,596	132,372	253,934
Other operating	1,555,023	1,575,258	1,707,430	1,554,018	1,457,723
Capital contributions	174,129	9,585,858	185,600	2,485,712	399,065
Interest and other revenue	712,348	463,270	143,030	57,137	56,512
	<u>\$ 18,749,914</u>	<u>\$ 27,660,987</u>	<u>\$ 17,595,727</u>	<u>\$ 19,234,132</u>	<u>\$ 16,759,169</u>
Expense					
Treatment expense	3,583,700	3,316,695	3,259,454	3,332,103	3,143,772
Other operating expenses	4,074,918	3,586,561	3,454,030	3,832,292	3,708,071
Provision for depreciation	4,453,408	3,994,199	3,557,511	3,269,058	3,099,084
Transfer out - tax equivalent	882,774	850,884	823,166	692,161	610,585
Interest and other expense	1,257,942	1,363,581	1,459,386	1,552,205	1,629,857
	<u>14,252,741</u>	<u>13,111,920</u>	<u>12,553,547</u>	<u>12,677,819</u>	<u>12,191,369</u>
Net income (loss)	<u>\$ 4,497,173</u>	<u>\$ 14,549,067</u>	<u>\$ 5,042,181</u>	<u>\$ 6,556,313</u>	<u>\$ 4,567,800</u>
Financial					
Plant in service (net)	<u>\$ 133,995,972</u>	<u>\$ 128,646,460</u>	<u>\$ 112,398,375</u>	<u>\$ 106,717,790</u>	<u>\$ 93,197,147</u>
Gallons billed (1000's)					
Residential	935,995	944,004	960,426	953,999	957,690
Commercial	760,031	767,194	761,640	740,484	710,384
Industrial	2,442,665	2,326,929	2,206,526	2,128,748	2,095,428
Government agencies	160,924	101,114	75,620	81,311	163,088
Total	<u>4,299,615</u>	<u>4,139,241</u>	<u>4,004,212</u>	<u>3,904,542</u>	<u>3,926,590</u>
Number of customers					
Residential	18,249	18,152	18,136	18,099	18,070
Commercial	2,260	2,241	2,233	2,237	2,240
Industrial	78	80	78	79	77
Government agencies	1	1	1	1	1
	<u>20,588</u>	<u>20,474</u>	<u>20,448</u>	<u>20,416</u>	<u>20,388</u>
Miles of mains	374	374	358	350	348

See independent auditor's report.

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2019

	Grant Number	Federal CFDA No.	Expenditures
Federal Awards			
United States Department of Homeland Security			
Federal Emergency Management Agency:			
Passed through the State of Alabama			
Public Assistance(Presidentially Declared Disasters	4426DR-AL	97.036	15,979
Total United States Department of Homeland Security			15,979
Total Federal Awards			15,979

The above is reported under the modified accrual basis of accounting whereby revenues are recorded when measurable and expenses are recorded when the liability is incurred.

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



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

Board of Directors
Municipal Utilities Board of Decatur, Morgan County, Alabama
Decatur, 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 Municipal Utilities Board of Decatur, Morgan County, Alabama, a component unit of the City of Decatur Alabama, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Municipal Utilities Board of Decatur's basic financial statements, and have issued our report thereon dated December 31, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Municipal Utilities Board of Decatur's internal control over financial reporting (internal control) to determine the 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 Municipal Utilities Board of Decatur's internal control. Accordingly, we do not express an opinion on the effectiveness of Municipal Utilities Board of Decatur's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Jackson, Tennessee
December 31, 2019

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF FINDINGS
September 30, 2019

No current year findings reported.

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF PRIOR YEAR FINDINGS
September 30, 2019

No prior year findings reported.