

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2025

MUNICIPAL UTILITIES BOARD OF DECATUR

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MUNICIPAL UTILITIES BOARD OF DECATUR, MORGAN COUNTY, ALABAMA
D/B/A DECATUR UTILITIES
INTRODUCTORY SECTION
September 30, 2025

DIRECTORY

BOARD OF DIRECTORS

Neal A. Holland, Jr., Chairman
Tom Counts, Secretary
James R. Thompson

MANAGEMENT TEAM

Ray Hardin, General Manager
Lisa Terry, CMA, 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
Jeremy Dorrance, Customer Service Manager
John Kuhlman, Information Systems Manager
John Higginbotham, Finance Supervisor
Rebecca Sheets, Executive Assistant

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

ATA, PC
Jackson, Tennessee

FINANCIAL SECTION

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Municipal Utilities Board of Decatur, Morgan County, Alabama (the Utility), an enterprise fund of the City of Decatur, Alabama and the financial statements of the Municipal Utilities Board of Decatur OPEB Plan (fiduciary fund), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Municipal Utilities Board of Decatur and the Municipal Utilities Board of Decatur OPEB Plan (Fiduciary fund), as of September 30, 2025, and the changes in financial position and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Utility, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Municipal Utilities Board of Decatur's enterprise fund and fiduciary fund and do not purport to, and do not, present fairly the financial position of the City of Decatur, Alabama, as of September 30, 2025, the changes in its financial position or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of Contributions – OPEB, Schedule of Investment Returns – OPEB Plan, 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 listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements,

and other knowledge we obtained during our audits 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Utility's basic financial statements. The supplementary and other information as presented in the table of contents, except that which is marked "unaudited" is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary and other information as presented in the table of contents, except that which is marked unaudited is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the directory and supplementary and other information schedules which have been marked "unaudited" as listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2025 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.

ATA, PC

Jackson, Tennessee
December 10, 2025

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, 2025. 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 \$318 million (*Net Position*).
- Operating revenues were \$170 million, an increase from fiscal year 2024 in the amount of \$13 million or 8.10%.
- Operating expenses were \$154 million, an increase from fiscal year 2024 in the amount of \$10 million or 6.82%.
- The operating income for the year was \$16 million as compared to \$13 million for fiscal year 2024.

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.

A Fiduciary Fund is used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support Municipal Utilities Board of Decatur's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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 Statement of Fiduciary Net Position includes all accounting assets and liabilities of the plan and provides a picture of the fiduciary net position of the plan as of the end of the current fiscal year compared to the previous fiscal year. Assets less liabilities results in net position restricted for pensions held in trust at year-end.

The Statement of Changes in Fiduciary Net Position reports all additions and deductions of the plan for the current fiscal year compared to the previous fiscal year. Additions consist of employer contributions and investment earnings. Deductions include benefits paid to plan participants and administrative expenses. Total additions minus total deductions provide the net increase in net position for the current fiscal year compared to the previous fiscal year. The increase in net position plus the beginning net position restricted for other post-employment benefits results in the ending net position restricted for other post-employment benefits for the current year compared to the previous year.

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 \$5.96 million for the fiscal year ended September 30, 2025. 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			Increase (Decrease)	
	September 30, 2025	September 30, 2024	\$	%
Current assets	\$ 41,691,823	\$ 34,779,246	\$ 6,912,577	19.88%
Restricted assets	590,947	569,525	21,422	3.76%
Capital assets	49,863,046	49,386,514	476,532	0.96%
Other assets	5,410,486	5,849,650	(439,164)	-7.51%
Total assets	<u>97,556,302</u>	<u>90,584,935</u>	<u>6,971,368</u>	<u>7.70%</u>
Deferred outflows of resources	4,648,914	6,452,467	(1,803,553)	-27.95%
Current liabilities	9,174,845	8,674,874	499,971	5.76%
Long term liabilities	19,344,175	21,203,001	(1,858,826)	-8.77%
Other liabilities	6,039,224	6,165,207	(125,983)	-2.04%
Total liabilities	<u>34,558,244</u>	<u>36,043,082</u>	<u>(1,484,838)</u>	<u>-4.12%</u>
Deferred inflows of resources	2,481,171	1,790,287	690,884	38.59%
Investment in capital assets	49,863,046	49,386,514	476,532	0.96%
Restricted	590,947	569,525	21,422	3.76%
Unrestricted	14,711,808	9,247,994	5,463,814	59.08%
Total net position	<u>\$ 65,165,801</u>	<u>\$ 59,204,033</u>	<u>\$ 5,961,768</u>	<u>10.07%</u>

The most significant changes from fiscal year 2024 to 2025 were increases in current assets due to increased cash and cash equivalents in the amount of \$6.2 million. Deferred outflows of resources decreased due to the current year's net pension liability and other post-employment benefits actuary activity. Long-term liabilities decreased because of net pension and other post-employment benefits actuary activity. Deferred inflows of resources increased due to the current year's actuarial activity related to pension benefits.

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, 2025.

Table 1B
ELECTRIC SYSTEM

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			Increase (Decrease)	
	September 30, 2025	September 30, 2024	\$	%
Operating revenues	\$ 110,753,054	\$ 100,398,261	\$ 10,354,793	10.31%
Purchased power	89,750,291	82,482,126	7,268,165	8.81%
Gross margin	21,002,763	17,916,135	3,086,628	17.23%
Other operating expenses	14,590,394	15,053,381	(462,987)	-3.08%
Operating income	6,412,369	2,862,754	3,549,615	123.99%
Other revenue (expenses)	1,333,606	1,446,735	(113,129)	-7.82%
Income before transfers	7,745,975	4,309,489	3,436,486	79.74%
Tax equivalents	(1,784,207)	(1,833,031)	48,824	2.66%
Change in net position	5,961,768	2,476,458	3,485,310	140.74%
Net position - beginning	59,204,033	56,727,575	2,476,458	4.37%
Net position - ending	\$ 65,165,801	\$ 59,204,033	\$ 5,961,768	10.07%

From fiscal year 2024 to 2025 operating revenues increased by 10.31% or \$10.35 million due to fluctuations in usage and the purchased power component of rates during the current year. This was mostly offset by an increase in purchased power of 8.81% or \$7.27 million. The results improved gross margin by \$3.1 million from the prior year. Other operating expenses were lower than the prior year due to tree trimming and depreciation. Other revenue decreased from the prior year because of lower interest earned. Net position increased from the prior year 10.07%.

The Gas System's total Net Position increased by \$287 thousand for the fiscal year ended September 30, 2025. 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			Increase (Decrease)	
	September 30, 2025	September 30, 2024	\$	%
Current assets	\$ 5,568,084	\$ 3,394,777	\$ 2,173,307	64.02%
Restricted assets	11,945,731	10,389,396	1,556,335	14.98%
Capital assets	24,010,253	23,789,909	220,344	0.93%
Other assets	213,555	525	213,030	40577.14%
Total assets	<u>41,737,623</u>	<u>37,574,607</u>	<u>4,163,016</u>	<u>11.08%</u>
Deferred outflows of resources	1,996,817	2,709,129	(712,312)	-26.29%
Current liabilities	1,508,119	1,056,398	451,721	42.76%
Long term liabilities	6,838,947	7,530,137	(691,190)	-9.18%
Other liabilities	12,898,152	9,715,538	3,182,614	32.76%
Total liabilities	<u>21,245,218</u>	<u>18,302,073</u>	<u>2,943,145</u>	<u>16.08%</u>
Deferred inflows of resources	1,055,941	835,472	220,469	26.39%
Investment in capital assets	24,010,253	23,789,909	220,344	0.93%
Restricted	11,945,731	10,389,396	1,556,335	14.98%
Unrestricted	(14,522,703)	(13,033,114)	(1,489,589)	-11.43%
Total net position	<u>\$ 21,433,281</u>	<u>\$ 21,146,191</u>	<u>\$ 287,090</u>	<u>1.36%</u>

Current assets increased 64.02% from fiscal year 2024 to 2025 mostly due to increased cash and cash equivalents in the amount of \$1.38 million and increased accounts receivable \$0.74 million. Restricted assets increased \$1.6 million due to the Utility putting cash into restricted enhancement funds for future projects. Deferred outflows of resources decreased due to the current year's net pension and other post-employment benefits actuary activity. Long-term liabilities decreased because of net pension and other post-employment benefits actuary activities. Other liabilities increased mostly due to increases in other unearned credits related to enhancements funds.

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, 2025.

Table 2B
GAS SYSTEM

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
	<u>September 30, 2025</u>	<u>September 30, 2024</u>	<u>Increase (Decrease)</u>
			<u>\$</u> <u>%</u>
Operating revenues	\$ 15,378,231	\$ 13,193,968	\$ 2,184,263 16.56%
Purchased gas	9,919,640	8,686,549	1,233,091 14.20%
Gross margin	5,458,591	4,507,419	951,172 21.10%
Other operating expenses	5,517,928	5,247,359	270,569 5.16%
Operating income (loss)	(59,337)	(739,940)	680,603 91.98%
Other revenue (expenses)	588,286	632,664	(44,378) -7.01%
Income (loss) before transfers	528,949	(107,276)	636,225 593.07%
Transfer to Decatur general fund	(264,474)	-	(264,474) 100.00%
Aid in construction	22,615	13,264	9,351 70.50%
Change in net position	287,090	(94,012)	381,102 405.38%
Net position - beginning	21,146,191	21,240,203	(94,012) -0.44%
Net position - ending	<u>\$ 21,433,281</u>	<u>\$ 21,146,191</u>	<u>\$ 287,090</u> 1.36%

From fiscal year 2024 to 2025 operating revenues increased by 16.56% or \$2.2 million. This was somewhat offset by the purchased gas component of rates during the current year in the amount of \$1.2 million. These changes resulted in the gross margin improving by \$0.95 million from the prior year. Other operating expenses increased mainly due to Gas system maintenance expenses. Other revenue decreased from the prior year because of lower interest earned. Net position increased 1.36% from the above-mentioned details.

The Water System's total Net Position increased by \$826 thousand for the fiscal year ended September 30, 2025. 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

CONDENSED STATEMENT OF NET POSITION			Increase (Decrease)	
	September 30, 2025	September 30, 2024	\$	%
Current assets	\$ 14,680,661	\$ 14,760,650	\$ (79,989)	-0.54%
Restricted assets	824,780	825,569	(789)	-0.10%
Capital assets	82,708,049	82,872,885	(164,836)	-0.20%
Other assets	-	880	(880)	-100.00%
Total assets	98,213,490	98,459,984	(246,494)	-0.25%
Deferred outflows of resources	3,950,549	5,384,883	(1,434,334)	-26.64%
Current liabilities	1,487,022	1,738,906	(251,884)	-14.49%
Liabilities payable from restricted assets	1,322,520	1,305,414	17,106	1.31%
Long term liabilities	27,228,818	29,944,953	(2,716,135)	-9.07%
Other liabilities	129,297	129,739	(442)	-0.34%
Total liabilities	30,167,657	33,119,012	(2,951,355)	-8.91%
Deferred inflows of resources	1,904,407	1,459,690	444,717	30.47%
Net investment in capital assets	68,705,206	67,747,135	958,071	1.41%
Restricted	454,462	439,034	15,428	3.51%
Unrestricted	932,307	1,079,996	(147,689)	-13.67%
Total net position	\$ 70,091,975	\$ 69,266,165	\$ 825,810	1.19%

Total assets were stable with capital assets decreasing some due to depreciation expense. Deferred outflows of resources decreased \$1.4 million due to the current year's net pension and other post-employment benefits actuary activities. Long-term liabilities decreased due to decreases in net pension and net OPEB liability because of current year actuarial activity as well as paying down long-term debt. Deferred inflows of resources increased due to current year actuary activity for pensions and OPEB.

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, 2025.

Table 3B
WATER SYSTEM

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			Increase (Decrease)	
	September 30, 2025	September 30, 2024	\$	%
Operating revenues	\$ 17,379,572	\$ 17,375,513	\$ 4,059	0.02%
Treatment expense	6,972,726	7,026,285	(53,559)	-0.76%
Gross margin	10,406,846	10,349,228	57,618	0.56%
Other operating expenses	10,924,539	10,080,839	843,700	8.37%
Operating income	(517,693)	268,389	(786,082)	-292.89%
Other revenue (expenses)	225,408	356,894	(131,486)	-36.84%
Income before transfers	(292,285)	625,283	(917,568)	-146.74%
Transfer to Decatur general fund	(659,166)	(682,342)	23,176	3.40%
Aid in construction	1,777,261	1,260,005	517,256	41.05%
Change in net position	825,810	1,202,946	(377,136)	-31.35%
Net position - beginning	69,266,165	68,063,219	1,202,946	1.77%
Net position - ending	<u>\$ 70,091,975</u>	<u>\$ 69,266,165</u>	<u>\$ 825,810</u>	<u>1.19%</u>

From fiscal year 2024 to 2025 operating revenues increased slightly while treatment expenses were below the prior year. This positions the gross margin to be above the prior year by \$58 thousand. Other operating expenses are above the prior year mostly due to lead and copper predictive modeling and depreciation. Other revenue is down compared to the prior year due to lower interest earned. Net position increased 1.19% from the prior year.

The Wastewater System's total Net Position increased by \$9.59 million for the fiscal year ended September 30, 2025. 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

CONDENSED STATEMENT OF NET POSITION			Increase (Decrease)	
	September 30, 2025	September 30, 2024	\$	%
Current assets	\$ 43,351,607	\$ 40,602,673	\$ 2,748,934	6.77%
Restricted assets	75,879,594	133,304,426	(57,424,832)	-43.08%
Capital assets	244,398,880	179,185,103	65,213,777	36.39%
Other assets	955,350	1,142,060	(186,710)	-16.35%
Total assets	364,585,431	354,234,262	10,351,170	2.92%
Deferred outflows of resources	4,489,120	5,979,314	(1,490,194)	-24.92%
Current liabilities	7,798,880	2,816,737	4,982,143	176.88%
Liabilities payable from restricted assets	5,062,005	5,017,527	44,479	0.89%
Long term liabilities	185,722,657	191,479,195	(5,756,538)	-3.01%
Other liabilities	3,210	5,905	(2,695)	-45.64%
Total liabilities	198,586,752	199,319,364	(732,612)	-0.38%
Deferred inflows of resources	12,343,138	12,339,599	3,539	0.03%
Net investment in capital assets	129,046,583	116,425,307	12,621,276	10.84%
Restricted	11,174,244	11,618,666	(444,422)	-3.83%
Unrestricted	17,923,834	20,510,640	(2,586,806)	-12.61%
Total net position	\$ 158,144,661	\$ 148,554,613	\$ 9,590,048	6.46%

The most significant changes from fiscal year 2024 to 2025 were an increase in capital assets and decrease in restricted assets due to the Utility replacing current infrastructure and spending cash that was set aside for future projects. A large portion of the additions to capital assets were funded from restricted assets which explains why restricted assets decreased from the prior year. Current assets increased \$2.7 million due to increased cash and cash equivalents. Deferred outflows of resources decreased due to current year actuary activity related to pensions and other post-employment benefits. Current liabilities increased due to accounts payable at year end. Long-term liabilities decreased due to decreases in net OPEB and pension liability as well as paying down long-term debt.

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, 2025.

Table 4B
WASTEWATER SYSTEM

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			Increase (Decrease)	
	September 30, 2025	September 30, 2024	\$	%
Operating revenues	\$ 26,974,366	\$ 26,727,647	\$ 246,719	0.92%
Treatment expense	4,670,114	4,349,136	320,978	7.38%
Gross margin	22,304,252	22,378,511	(74,259)	-0.33%
Other operating expenses	12,020,907	11,586,087	434,820	3.75%
Operating income	10,283,345	10,792,424	(509,079)	-4.72%
Other revenue (expenses)	(1,011,387)	(6,834)	(1,004,553)	-14699.34%
Income before transfers	9,271,958	10,785,590	(1,513,632)	-14.03%
Transfer to Decatur general fund	(876,557)	(876,049)	(508)	-0.06%
Aid in construction	1,194,647	2,498,928	(1,304,281)	-52.19%
Change in net position	9,590,048	12,408,469	(2,818,421)	-22.71%
Net position - beginning	148,554,613	136,146,144	12,408,469	9.11%
Net position - ending	\$ 158,144,661	\$ 148,554,613	\$ 9,590,048	6.46%

From fiscal year 2024 to 2025 operating revenues increased due to sales volumes. Treatment expense increased due to sales volumes, sludge disposal and maintenance of plant equipment. Other operating expenses increased mostly due to increased depreciation expense due to capital intensive plans. Other revenue decreased compared to the prior year because of lower interest earned. Net position increased 6.46% 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, 2025. The analysis below focuses on the System's Net Position (Table 5A).

Table 5A
ADMINISTRATIVE

CONDENSED STATEMENT OF NET POSITION			Increase (Decrease)	
	September 30, 2025	September 30, 2024	\$	%
Current assets	\$ 7,113,090	\$ 6,788,233	\$ 324,857	4.79%
Restricted assets	22,726	22,624	102	0.45%
Capital assets	1,722,239	1,800,794	(78,555)	-4.36%
Total assets	<u>8,858,055</u>	<u>8,611,651</u>	<u>246,404</u>	2.86%
Current liabilities	5,305,119	5,058,715	246,404	4.87%
Total liabilities	<u>5,305,119</u>	<u>5,058,715</u>	<u>246,404</u>	4.87%
Investment in capital assets	1,722,239	1,800,794	(78,555)	-4.36%
Restricted	22,726	22,624	102	0.45%
Unrestricted	1,807,971	1,729,518	78,453	4.54%
Total net position	<u>\$ 3,552,936</u>	<u>\$ 3,552,936</u>	<u>\$ -</u>	0.00%

The most significant change from fiscal year 2024 to 2025 was a increase in current assets in relation to an increase in cash due to current year activity.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2025, the Utility had \$403 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 \$65.7 million or 19.48% 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, 2025 and 2024. These changes are presented in detail in Note 3D to the financial statements.

Table 1C
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	September 30, 2025	September 30, 2024	Increase (Decrease)	
			\$	%
Electric System				
Land	\$ 714,760	\$ 714,760	\$ -	0.00%
Utility plant	103,080,540	98,950,806	4,129,734	4.17%
Construction in progress	2,331,724	3,901,062	(1,569,338)	-40.23%
Less: Accumulated depreciation	(56,263,978)	(54,180,114)	(2,083,864)	-3.85%
Net electric plant	<u>49,863,046</u>	<u>49,386,514</u>	<u>476,532</u>	0.96%
Gas System				
Land	124,816	124,816	-	0.00%
Utility plant	47,060,621	45,662,191	1,398,430	3.06%
Construction in progress	216,478	322,518	(106,040)	-32.88%
Less: Accumulated depreciation	(23,391,662)	(22,319,616)	(1,072,046)	-4.80%
Net gas plant	<u>24,010,253</u>	<u>23,789,909</u>	<u>220,344</u>	0.93%
Water System				
Land	532,168	532,168	-	0.00%
Utility plant	160,474,085	155,359,964	5,114,123	3.29%
Construction in progress	362,850	1,665,398	(1,302,549)	-78.21%
Less: Accumulated depreciation	(78,661,054)	(74,684,645)	(3,976,409)	-5.32%
Net water plant	<u>82,708,049</u>	<u>82,872,885</u>	<u>(164,836)</u>	-0.20%
Wastewater System				
Land	1,615,144	1,615,144	-	0.00%
Utility plant	240,258,047	224,366,121	15,891,926	7.08%
Construction in progress	77,805,391	25,431,562	52,373,829	205.94%
Less: Accumulated depreciation	(75,279,702)	(72,227,724)	(3,051,978)	-4.23%
Net wastewater plant	<u>244,398,880</u>	<u>179,185,103</u>	<u>65,213,777</u>	36.39%
Administrative System				
Land	71,407	71,407	-	0.00%
Buildings	5,477,886	5,815,355	(337,469)	-5.80%
Construction in progress	-	33,907	(33,907)	-100.00%
Less: Accumulated depreciation	(3,827,054)	(4,119,875)	292,821	7.11%
Net administration system	<u>\$ 1,722,239</u>	<u>\$ 1,800,794</u>	<u>\$ (78,555)</u>	-4.36%

Debt Administration

The Utility has outstanding debt payable of \$188 million as of September 30, 2025. Principal payments are due in the upcoming fiscal year in the amount of \$5.36 million with interest payments totaling approximately \$5.06 million also due. Details relating to the debt can be found in Note 3E to the financial statements.

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, 2025

	Electric	Gas	Water	Wastewater	Administrative	(Memo Only) Total
Assets						
Current assets						
Cash and cash equivalents	\$ 28,314,215	\$ 3,503,770	\$ 12,444,447	\$ 41,148,966	\$ 6,614,756	\$ 92,026,154
Receivables						
Accounts (net of allowance)	9,060,604	760,196	1,443,962	1,828,617	427,155	13,520,534
Other accounts receivable	103,061	616,480	28,169	33,082	83	780,875
City of Decatur	177,120	3,678	30,182	40,947	22,817	274,744
Current note receivable - other funds	-	-	-	185,811	-	185,811
Stored natural gas	-	351,183	-	-	-	351,183
Materials and supplies	2,031,633	272,620	710,925	73,061	-	3,088,239
Accrued utility revenue	1,928,839	-	-	-	-	1,928,839
Other current assets	76,351	60,157	22,976	41,123	48,279	248,886
Total current assets	<u>41,691,823</u>	<u>5,568,084</u>	<u>14,680,661</u>	<u>43,351,607</u>	<u>7,113,090</u>	<u>112,405,265</u>
Noncurrent assets						
Restricted cash and equivalents	590,947	11,945,731	824,780	75,879,594	22,726	89,263,778
Capital assets, not being depreciated						
Land	714,760	124,816	532,168	1,615,144	71,407	3,058,295
Work in process	2,331,724	216,478	362,850	77,805,391	-	80,716,443
Capital assets, net of accumulated depreciation						
Utility plant	46,816,562	23,668,959	81,813,031	164,978,345	1,650,832	318,927,729
Total capital assets	<u>49,863,046</u>	<u>24,010,253</u>	<u>82,708,049</u>	<u>244,398,880</u>	<u>1,722,239</u>	<u>402,702,467</u>
Other assets						
Energy service loans receivable	5,410,486	-	-	-	-	5,410,486
Long term note receivable - other funds	-	-	-	955,350	-	955,350
Other charges receivable	-	213,555	-	-	-	213,555
Total other assets	<u>5,410,486</u>	<u>213,555</u>	<u>-</u>	<u>955,350</u>	<u>-</u>	<u>6,579,391</u>
Total assets	<u>97,556,302</u>	<u>41,737,623</u>	<u>98,213,490</u>	<u>364,585,431</u>	<u>8,858,055</u>	<u>610,950,901</u>
Deferred outflows of resources						
Related to Pensions	1,905,455	774,880	1,376,283	1,080,616	-	5,137,234
Related to OPEB	2,743,459	1,221,937	2,231,973	2,229,635	-	8,427,004
Deferred cost on refunding	-	-	342,293	1,178,869	-	1,521,162
Total deferred outflows of resources	<u>4,648,914</u>	<u>1,996,817</u>	<u>3,950,549</u>	<u>4,489,120</u>	<u>-</u>	<u>15,085,400</u>
Combined assets and deferred outflows of resources	<u>\$ 102,205,216</u>	<u>\$ 43,734,440</u>	<u>\$ 102,164,039</u>	<u>\$ 369,074,551</u>	<u>\$ 8,858,055</u>	<u>\$ 626,036,301</u>

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

MUNICIPAL UTILITIES BOARD OF DECATUR
STATEMENT OF NET POSITION
September 30, 2025

	Electric	Gas	Water	Wastewater	Administrative	(Memo Only) Total
Liabilities						
Current liabilities						
Accounts payable	\$ 8,401,271	\$ 868,712	\$ 688,812	\$ 7,172,276	\$ 111,582	\$ 17,242,653
Due to City of Decatur general fund	-	264,474	62,498	115,887	494,929	937,788
Accrued payroll and other expense	773,574	374,933	735,712	510,717	16,849	2,411,785
Customer deposits	-	-	-	-	4,681,759	4,681,759
Total current liabilities	9,174,845	1,508,119	1,487,022	7,798,880	5,305,119	25,273,985
Liabilities payable from restricted assets						
Current maturities of revenue warrants	-	-	1,071,590	4,283,410	-	5,355,000
Current notes payable - other funds	-	-	185,811	-	-	185,811
Interest payable	-	-	65,119	778,595	-	843,714
Total liabilities payable from restricted assets	-	-	1,322,520	5,062,005	-	6,384,525
Noncurrent liabilities						
Long term debt payable, net of costs	-	-	13,236,452	174,995,642	-	188,232,094
Long term note payable - other funds	-	-	955,350	-	-	955,350
Compensated absences	445,074	148,576	294,584	338,992	-	1,227,226
Energy service loans payable	5,410,486	-	-	-	-	5,410,486
Net OPEB liability	9,602,563	3,261,492	6,588,076	5,599,850	-	25,051,981
Net pension liability	9,296,538	3,428,879	6,154,356	4,788,173	-	23,667,946
Other unearned credits	628,738	12,898,152	129,297	3,210	-	13,659,397
Total noncurrent liabilities	25,383,399	19,737,099	27,358,115	185,725,867	-	258,204,480
Total liabilities	34,558,244	21,245,218	30,167,657	198,586,752	5,305,119	289,862,990
Deferred inflows of resources						
Related to PFAS	-	-	-	10,826,969	-	10,826,969
Related to pensions	1,443,104	555,082	999,681	946,934	-	3,944,801
Related to OPEB	1,038,067	500,859	904,726	569,235	-	3,012,887
Total deferred inflows of resources	2,481,171	1,055,941	1,904,407	12,343,138	-	17,784,657
Combined liabilities and deferred inflows of resources	37,039,415	22,301,159	32,072,064	210,929,890	5,305,119	307,647,647
Net position						
Net investment in capital assets	49,863,046	24,010,253	68,705,206	129,046,583	1,722,239	273,347,327
Restricted	590,947	11,945,731	454,462	11,174,244	22,726	24,188,110
Unrestricted (deficit)	14,711,808	(14,522,703)	932,307	17,923,834	1,807,971	20,853,217
Total net position	\$ 65,165,801	\$ 21,433,281	\$ 70,091,975	\$ 158,144,661	\$ 3,552,936	\$ 318,388,654
Total liabilities and net position	\$ 102,205,216	\$ 43,734,440	\$ 102,164,039	\$ 369,074,551	\$ 8,858,055	\$ 626,036,301

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, 2025

	Electric	Gas	Water	Wastewater	Administrative	(Memo Only) Total
Operating revenues						
Charges for sales and services (net of adjustments and allowances)	\$ 109,468,904	\$ 15,244,546	\$ 16,134,691	\$ 25,115,957	\$ -	\$ 165,964,098
Other revenue	1,284,150	133,685	1,244,881	1,858,409	-	4,521,125
Total operating revenues	<u>110,753,054</u>	<u>15,378,231</u>	<u>17,379,572</u>	<u>26,974,366</u>	<u>-</u>	<u>170,485,223</u>
Operating expenses						
Costs of sales and services	89,750,291	9,919,640	6,972,726	4,670,114	-	111,312,771
Operations expenses	2,444,267	949,129	1,357,709	1,791,122	-	6,542,227
Maintenance expenses	2,879,251	500,896	583,831	521,727	-	4,485,705
Customer service expenses	678,047	361,853	704,084	428,048	-	2,172,032
Administrative expenses	5,006,984	2,584,575	4,383,408	3,724,692	-	15,699,659
Depreciation expense	3,581,845	1,121,475	3,895,507	5,555,318	-	14,154,145
Total operating expenses	<u>104,340,685</u>	<u>15,437,568</u>	<u>17,897,265</u>	<u>16,691,021</u>	<u>-</u>	<u>154,366,539</u>
Operating income (loss)	<u>6,412,369</u>	<u>(59,337)</u>	<u>(517,693)</u>	<u>10,283,345</u>	<u>-</u>	<u>16,118,684</u>
Non-operating revenues (expenses)						
Interest income	1,347,846	593,115	622,211	3,707,214	-	6,270,386
Other non-operating revenue	258	78	233	(26)	-	543
Amortization expense	-	-	37,437	(1,514)	-	35,923
Interest expense	(14,498)	(4,907)	(434,473)	(4,717,061)	-	(5,170,939)
Total non-operating revenues (expenses)	<u>1,333,606</u>	<u>588,286</u>	<u>225,408</u>	<u>(1,011,387)</u>	<u>-</u>	<u>1,135,913</u>
Income (loss) before transfers and contributions	<u>\$ 7,745,975</u>	<u>\$ 528,949</u>	<u>\$ (292,285)</u>	<u>\$ 9,271,958</u>	<u>\$ -</u>	<u>\$ 17,254,597</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, 2025

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>	<u>(Memo Only)</u> <u>Total</u>
Transfers and capital contributions						
Transfers to City of Decatur - in lieu of taxes	\$ (1,784,207)	\$ (264,474)	\$ (659,166)	\$ (876,557)	\$ -	\$ (3,584,404)
Income (loss) before contributions	5,961,768	264,475	(951,451)	8,395,401	- -	13,670,193
Capital contributions	- -	22,615	1,777,261	1,194,647	- -	2,994,523
Change in net position	5,961,768	287,090	825,810	9,590,048	- -	16,664,716
Total net position - beginning	59,204,033	21,146,191	69,266,165	148,554,613	3,552,936	301,723,938
Total net position - ending	<u>\$ 65,165,801</u>	<u>\$ 21,433,281</u>	<u>\$ 70,091,975</u>	<u>\$ 158,144,661</u>	<u>\$ 3,552,936</u>	<u>\$ 318,388,654</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, 2025

	Electric	Gas	Water	Wastewater	Administrative	(Memo Only) Totals
Cash flows from operating activities:						
Cash received from consumers	\$ 110,226,956	\$ 14,688,572	\$ 17,277,892	\$ 27,135,604	\$ -	\$ 169,329,024
Cash paid to suppliers for goods and services	(89,327,600)	(6,776,787)	(6,162,243)	1,174,155	89,683	(101,002,792)
Cash paid to employees for services	(9,881,514)	(3,888,597)	(7,469,458)	(7,117,236)	-	(28,356,805)
Net change in energy service loans payable	(438,324)	-	-	-	-	(438,324)
Net change in energy service loans receivable	438,324	-	-	-	-	438,324
Interest paid on customer deposits	-	-	-	-	17,592	17,592
Net change in customer deposits	-	-	-	-	248,997	248,997
Net cash provided (used) by operating activities	<u>11,017,842</u>	<u>4,023,188</u>	<u>3,646,191</u>	<u>21,192,523</u>	<u>356,272</u>	<u>40,236,016</u>
Cash flows from non-capital related financing activates						
Advances between funds	-	-	(182,889)	182,889	-	-
Operating transfer out - City of Decatur & tax equivalents	<u>(1,784,207)</u>	<u>(264,474)</u>	<u>(659,166)</u>	<u>(876,557)</u>	<u>-</u>	<u>(3,584,404)</u>
Net cash provided (used) by non-capital financing activities	<u>(1,784,207)</u>	<u>(264,474)</u>	<u>(842,055)</u>	<u>(693,667)</u>	<u>-</u>	<u>(3,584,404)</u>
Cash flows from capital and related financing activities:						
Construction and acquisition of capital assets	(4,329,573)	(1,429,880)	(3,838,754)	(70,965,821)	(94,971)	(80,658,999)
Capital contributed by customers	-	22,615	1,777,261	1,194,647	-	2,994,523
Principal paid on debt	-	-	(1,054,900)	(4,230,100)	-	(5,285,000)
Interest paid on debt	<u>(14,498)</u>	<u>(4,907)</u>	<u>(437,564)</u>	<u>(4,725,892)</u>	<u>-</u>	<u>(5,182,861)</u>
Net cash provided (used) by capital and related financing activities	<u>(4,344,071)</u>	<u>(1,412,172)</u>	<u>(3,553,958)</u>	<u>(78,727,166)</u>	<u>(94,971)</u>	<u>(88,132,338)</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, 2025

	Electric	Gas	Water	Wastewater	Administrative	(Memo Only) Totals
Cash flows from investing activities:						
Income (expense) from other non-operating revenue	258	78	233	(26)	-	543
Interest received	1,347,846	593,115	622,211	3,707,214	-	6,270,386
Net cash provided (used) by investing activities	1,348,104	593,193	622,444	3,707,188	-	6,270,928
Net increase (decrease) in cash and cash equivalents	6,237,668	2,939,735	(127,378)	(54,521,122)	261,301	(45,209,796)
Cash and cash equivalents - beginning	22,667,494	12,509,766	13,396,605	171,549,682	6,376,181	226,499,728
Cash and cash equivalents - ending	\$ 28,905,162	\$ 15,449,501	\$ 13,269,227	\$ 117,028,560	\$ 6,637,482	\$ 181,289,932
Cash and cash equivalents						
Unrestricted cash and cash equivalent	28,314,215	3,503,770	12,444,447	41,148,966	6,614,756	92,026,154
Restricted cash and cash equivalent	590,947	11,945,731	824,780	75,879,594	22,726	89,263,778
Total cash and cash equivalents	\$ 28,905,162	\$ 15,449,501	\$ 13,269,227	\$ 117,028,560	\$ 6,637,482	\$ 181,289,932

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, 2025

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>	(Memo Only) Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ 6,412,369	\$ (59,337)	\$ (517,693)	\$ 10,283,345	\$ -	\$ 16,118,684
Adjustments to reconcile operating income to net cash provided by operating activities						
Depreciation expense	3,853,041	1,209,536	4,003,590	5,752,044	173,526	14,991,737
Pension contributions in excess of actuarially determined pension expense	251,496	75,299	161,797	185,884	-	674,476
OPEB contributions in excess of actuarially determined OPEB expense	344,371	158,560	303,699	270,527	-	1,077,157
Changes in assets and liabilities:						
Receivables	(592,929)	(747,161)	(101,680)	180,643	(14,367)	(1,275,494)
Due from City	344,796	57,502	-	(19,405)	(1,756)	381,137
Unbilled revenues	(277,965)	-	-	-	-	(277,965)
Materials and supplies	(111,229)	(99,138)	44,858	8,170	-	(157,339)
Energy service loans receivable	438,324	-	-	-	-	438,324
Energy service loans payable	(438,324)	-	-	-	-	(438,324)
Other current assets (prepaid)	(59,004)	(1,110)	10,222	(11,127)	(47,536)	(108,555)
Other charges	840	(394,780)	880	315	-	(392,745)
Accounts payable and other accruals	540,049	376,729	(252,580)	5,029,759	(37,557)	5,656,400
Due to City	(334)	264,474	(6,460)	(23,016)	17,372	252,036
Customer deposits	-	-	-	-	266,590	266,590
Other credits	312,341	3,182,614	(442)	(464,616)	-	3,029,897
Net cash provided (used) by operating activities	<u>\$ 11,017,842</u>	<u>\$ 4,023,188</u>	<u>\$ 3,646,191</u>	<u>\$ 21,192,523</u>	<u>\$ 356,272</u>	<u>\$ 40,236,016</u>

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

MUNICIPAL UTILITIES BOARD OF DECATUR
STATEMENT OF FIDUCIARY NET POSITION - OPEB PLAN
September 30, 2025

Assets	2025
Cash and cash equivalents	\$ 941,431
Miscellaneous accounts receivable	365
 Investments	
Equity	10,440,793
Balanced	311,651
Fixed	2,994,428
Other exchange products	<u>733,399</u>
Total investments	<u>14,480,271</u>
 Net position available for benefits	15,422,067
 Liabilities	 _____ -
 Net position restricted for OPEB	\$ 15,422,067

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

MUNICIPAL UTILITIES BOARD OF DECATUR
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - OPEB PLAN
For the Year Ended September 30, 2025

	<u>2025</u>
Additions	
Contributions	
Employer	\$ 2,797,398
Investment income	
Interest and dividend income	398,775
Realized gains (loss)	61,893
Net appreciation(loss) in fair value of investments	<u>878,740</u>
Total investment income	<u>1,339,408</u>
Total additions	<u>4,136,806</u>
Deductions	
Benefit payments	1,692,774
Administrative expenses	<u>53,918</u>
Total deductions	<u>1,746,692</u>
Net change in fiduciary net position	2,390,114
Net position restricted for OPEB	
Beginning of year	<u>13,031,953</u>
End of year	<u>\$ 15,422,067</u>

MUNICIPAL UTILITIES BOARD OF DECATUR

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

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 enterprise 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.

Additionally, the government reports the following fiduciary funds:

The defined benefit OPEB plan which accumulates the resources for OPEB benefit payments to qualified employees.

MUNICIPAL UTILITIES BOARD OF DECATUR

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

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 Annual Comprehensive 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.

Investments – Fiduciary Fund

The Plan's investments consist of a Fidelity Investments Asset Management Portfolio. Mutual funds are stated at fair market value.

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.

MUNICIPAL UTILITIES BOARD OF DECATUR

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

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 system enhancements and insurance policy requirements.

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 400 hours. When 200 hours are accrued, employees have the option of cashing out any hours over 200 up to a maximum of 80 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*

MUNICIPAL UTILITIES BOARD OF DECATUR

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

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.

Impact of Recently Issued Accounting Pronouncements

In June of 2022, the Governmental Accounting Standards Board issued GASB Statement No. 101 related to Compensated Absences. This Statement improves accounting and financial reporting by state and local governments for Compensated Absences and is effective for fiscal years beginning after December 15, 2023. This Statement establishes standards of accounting and financial reporting for (a) compensated absences and (b) associated salary-related payments, including certain defined contribution pensions and defined contribution other postemployment benefits (OPEB). The requirements of this Statement apply to the financial statements of all state and local governments. This implementation resulted to no material adjustments in the current year.

In December of 2023, the Governmental Accounting Standards Board issued GASB Statement No. 102 related to Certain Risk Disclosures. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending for fiscal years beginning after December 15, 2023. The requirements of this Statement apply to the financial statements of all state and local governments. This implementation resulted in no additional disclosures in the current year.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The Utility has items that qualify for this form of reporting - deferred outflows related to pension, deferred outflows related to OPEB, and deferred cost on refunding as of September 30, 2025.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has items that qualify for this form of reporting – related to PFAS, related to pensions, and related to OPEB as of September 30, 2025.

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 Boards policy to consider Restricted – Net Position to have been depleted before Unrestricted – Net Position is applied.

MUNICIPAL UTILITIES BOARD OF DECATUR

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

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

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Utility's participation in the OPEB Plan, and additions to/deductions from the Utility's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefits are recognized when due and payable in accordance with the benefit terms of the OPEB Plan. Investments are reported at fair value.

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.

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. Deposits and Investments

Decatur Utilities pools cash bank deposits for all systems. At fiscal year end, the carrying amount of book balance was \$181,289,932. Included in that number is \$5,400 cash on hand and \$5,000 on deposit with the workers compensation carrier. The bank balances were \$181,538,227. 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.

MUNICIPAL UTILITIES BOARD OF DECATUR

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

The Series 2021 Water and Wastewater system, 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 2021 Wastewater and Water 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.

OPEB Plan

The following are the asset allocations as of September 30, 2025.

	Market Value	Percentage of Total
Equities	\$ 10,440,793	72.10%
Balanced	311,651	2.15%
Fixed income	2,994,428	20.68%
Other Exchange	733,399	5.06%
Total	\$ 14,480,271	100.00%

The following investments represent more than 5% of the fiduciary net position and are not issued or explicitly guaranteed by the U.S. government on September 30, 2025:

Vanguard Index Funds S&P 500 ETF	2,723,547
Ishares Core US Aggregate Bond ETF	1,193,496

For the year ended September 30, 2025 the annual money-weighted rate of return on other post-employment benefits plan investments, net of OPEB plan investment expense, was 5.37 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Fair Value Measurements: The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of September 30, 2025:

MUNICIPAL UTILITIES BOARD OF DECATUR

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

	Fair Value Measurements Using				
			Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total	(Level 1)			
Investments by fair value level					
Equity securities					
Mutual funds	\$ 8,103,433	\$ 8,103,433	\$ -	\$ -	\$ -
Exchange Trade Products	2,337,360	2,337,360	-	-	-
Total equity securities	<u>\$ 10,440,793</u>	<u>\$ 10,440,793</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Balanced funds	311,651	311,651	-	-	-
Fixed	2,994,428	2,994,428	-	-	-
Other exchange products	733,399	733,399	-	-	-
Total Investments at fair value	<u>\$ 14,480,271</u>	<u>\$ 14,480,271</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

B. Receivables

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

	Electric	Gas	Water	Wastewater	Administrative
Customer accounts receivable	\$ 13,838,505	\$ 1,236,314	\$ 2,001,617	\$ 2,484,872	\$ 427,155
Allowance	(4,777,901)	(476,118)	(557,655)	(656,255)	-
Net accounts receivable	<u>\$ 9,060,604</u>	<u>\$ 760,196</u>	<u>\$ 1,443,962</u>	<u>\$ 1,828,617</u>	<u>\$ 427,155</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.

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

MUNICIPAL UTILITIES BOARD OF DECATUR

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

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, 2025 is \$17,726.

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	\$ 177,120	\$ -
Gas	3,678	264,474
Water	30,182	62,498
Sewer	40,947	115,887
Administrative (Garbage)	22,817	494,929
Total	<u>\$ 274,744</u>	<u>\$ 937,788</u>

D. Capital Assets

Capital asset activity for the year ended September 30, 2025, was as follows:

	Beginning			
	Balance	Additions	Deletions	Ending Balance
Electric System				
Land	\$ 714,760	\$ -	\$ -	\$ 714,760
Utility Plant	98,950,806	5,481,492	(1,351,758)	103,080,540
Construction in progress	3,901,062	15,570,415	(17,139,753)	2,331,724
Less: Accumulated depreciation	(54,180,114)	(3,853,041)	1,769,177	(56,263,978)
Net Electric Plant	<u>\$ 49,386,514</u>	<u>\$ 17,198,866</u>	<u>\$ (16,722,334)</u>	<u>\$ 49,863,046</u>
Gas System				
Land	\$ 124,816	\$ -	\$ -	\$ 124,816
Utility Plant	45,662,191	1,549,467	(151,037)	47,060,621
Construction in progress	322,518	3,765,647	(3,871,687)	216,478
Less: Accumulated depreciation	(22,319,616)	(1,209,536)	137,490	(23,391,662)
Net Gas Plant	<u>\$ 23,789,909</u>	<u>\$ 4,105,578</u>	<u>\$ (3,885,234)</u>	<u>\$ 24,010,253</u>

MUNICIPAL UTILITIES BOARD OF DECATUR

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

Water System

Land	\$ 532,168	\$ -	\$ -	\$ 532,168
Utility Plant	155,359,964	5,183,668	(69,547)	160,474,085
Construction in progress	1,665,398	6,329,840	(7,632,388)	362,850
Less: Accumulated depreciation	(74,684,645)	(4,003,590)	27,181	(78,661,054)
Net Water Plant	\$ 82,872,885	\$ 7,509,918	\$ (7,674,754)	\$ 82,708,049

Wastewater System

Land	\$ 1,615,144	\$ -	\$ -	\$ 1,615,144
Utility Plant	224,366,121	18,759,655	(2,867,729)	240,258,047
Construction in progress	25,431,562	145,707,721	(93,333,892)	77,805,391
Less: Accumulated depreciation	(72,227,724)	(5,752,044)	2,700,066	(75,279,702)
Net Wastewater Plant	\$ 179,185,103	\$ 158,715,332	\$ (93,501,555)	\$ 244,398,880

Administrative System

Land	\$ 71,407	\$ -	\$ -	\$ 71,407
Buildings	5,815,355	128,877	(466,346)	5,477,886
Construction in progress	33,907	168,832	(202,739)	-
Less: Accumulated depreciation	(4,119,875)	(173,526)	466,347	(3,827,054)
Net Administration Plant	\$ 1,800,794	\$ 124,183	\$ (202,738)	\$ 1,722,239

Depreciation expense amounted to \$14,154,146 charged to operations and \$837,591 charged to other operating accounts and construction in progress in 2025.

Reconciliation of depreciation expense with cash flow information:

	Electric	Gas	Water	Wastewater	Administrative
Depreciation expense per Statement of Revenues, Expenses and Changes in Net Position	\$ 3,581,845	\$ 1,121,475	\$ 3,895,507	\$ 5,555,318	\$ -
Depreciation allocated to other operating accounts and construction in progress	271,196	88,061	108,083	196,726	173,526
Depreciation expense per the Statement of Cash Flows	\$ 3,853,041	\$ 1,209,536	\$ 4,003,590	\$ 5,752,044	\$ 173,526

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

MUNICIPAL UTILITIES BOARD OF DECATUR

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

balance immediately due and accrued interest at highest post maturity interest rate, (2) Use any remedy allowed by state or federal law.

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 October 25, 2026. The balance outstanding of September 30, 2025 is \$0.

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 2020 bonds were issued at \$9,374,750. The 2021 Series A bonds were issued at \$8,405,000. Total bonds outstanding at September 30, 2025 were \$13,093,656 at interest rates ranging from 0.50% to 4.00%. The bonds are expected to mature in 2033 and 2040. The System's unamortized debt expense at September 30, 2025 was \$1,214,386.

On November 19, 2020, the Utility issued \$9,374,750 Tax Water and Sewer Revenue Warrants, Series 2020 with an average coupon of 1.78%. The Utility issued the bonds to refund total debt service of \$10,155,000 of the outstanding series Water Series 2013 and the Water Series 2012/SRF with a true interest rate cost of 1.89%. The Utility used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2013 series and the 2012 SRF series bonds. As a result, that portion of the 2013 series and 2012 SRF series bonds are considered defeased, and the Utility has removed the liabilities from its accounts. The outstanding principal of the defeased bonds is \$0 at September 30, 2025.

The refunding reduced total debt service payments over the next 12 years by \$780,250. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$403,385.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$557,148. The difference is reported in deferred outflows of resources in the accompanying Statement of Net Position and is being charged to operations through fiscal year 2033 using the straight-line method. Unamortized deferred cost of the Series 2020 Bonds totaled \$342,293 as of September 30, 2025.

The Wastewater System loaned to the Water System \$2,212,204, with funds made available to the System. Total loans outstanding at September 30, 2025 was \$1,141,161. The loan is expected to mature in 2031.

	10/1/2024	Additions	Principal Payments	9/30/2025	Current
Water Series 2020	6,888,555	-	719,899	6,168,656	726,590
Water Series 2021	7,260,000	-	335,000	6,925,000	345,000
Premiums and Discounts	1,295,520	-	81,134	1,214,386	-
Total	15,444,075	-	1,136,033	14,308,042	1,071,590

MUNICIPAL UTILITIES BOARD OF DECATUR

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September 30, 2025

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 2019 bonds were issued at \$9,465,000. The 2020 bonds were issued at \$25,655,250. The 2021 Series A bonds were issued at \$64,445,000. The 2021 Series B bonds were issued at \$95,815,000. Total bonds outstanding from Series 2019, 2020, 2021A, and 2021B issues at September 30, 2025 were \$175,246,344 at interest rates ranging from 0.17% to 4.00%. The bonds are expected to mature in 2031, 2033, 2051 and 2045. The System's unamortized debt expense at September 30, 2025 was \$4,032,708.

On November 19, 2020, the Utility issued \$25,655,250 Tax Water and Sewer Revenue Warrants, Series 2020 with an average coupon of 1.78%. The Utility issued the bonds to refund total debt service of \$27,150,000 of the outstanding series Wastewater Series 2013 and the Wastewater Series 2012/SRF with a true interest rate cost of 1.89%. The Utility used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2013 series and the Series 2012 SRF bonds. As a result, that portion of the 2013 series and the 2012 SRF series bonds are considered defeased, and the Utility has removed the liabilities from its accounts. The outstanding principal of the defeased bonds is \$0 at September 30, 2025.

The refunding reduced total debt service payments over the next 12 years by \$1,494,750. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,002,983.

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,918,837. The difference is reported in deferred outflows of resources in the accompanying Statement of Net Position and is being charged to operations through fiscal year 2033 using the straight-line method. Unamortized deferred cost of the Series 2020 Bonds totaled \$1,178,869 as of September 30, 2025.

	10/1/2024	Additions	Principal Payments	9/30/2025	Current
Bonds:					
Wastewater Series 2019	5,795,000	-	780,000	5,015,000	795,000
Wastewater Series 2020	18,851,445	-	1,970,101	16,881,344	1,988,410
Wastewater Series 2021A	63,505,000	-	140,000	63,365,000	145,000
Wastewater Series 2021B	91,325,000	-	1,340,000	89,985,000	1,355,000
Premiums and Discounts	4,181,687	-	148,979	4,032,708	-
Total	183,658,132	-	4,379,080	179,279,052	4,283,410

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Future maturities of debt across all systems are as follows:

Year ending	September 30,			Principal	Interest	Total
2026	\$ 5,355,000	\$ 5,062,280	\$ 10,417,280			
2027	5,445,000	4,975,739	10,420,739			
2028	5,535,000	4,881,224	10,416,224			
2029	5,640,000	4,776,557	10,416,557			
2030	5,755,000	4,663,324	10,418,324			
2031-2035	30,710,000	21,376,489	52,086,489			
2036-2040	34,590,000	17,501,713	52,091,713			
2041-2045	39,440,000	12,648,828	52,088,828			
2046-2050	45,565,000	6,521,006	52,086,006			
2051	10,305,000	109,491	10,414,491			
	<u>\$ 188,340,000</u>	<u>\$ 82,516,651</u>	<u>\$ 270,856,651</u>			

F. Net Position

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

	Electric	Gas	Water	Wastewater	Administrative
Net invested in capital assets	\$ 49,863,046	\$ 24,010,253	\$ 68,705,206	\$ 129,046,583	\$ 1,722,239
Restricted	590,947	11,945,731	454,462	11,174,244	22,726
Unrestricted (deficit)	14,711,808	(14,522,703)	932,307	17,923,834	1,807,971
Total net position	<u>\$ 65,165,801</u>	<u>\$ 21,433,281</u>	<u>\$ 70,091,975</u>	<u>\$ 158,144,661</u>	<u>\$ 3,552,936</u>

G. Restricted Assets

The restricted assets consist of the following:

Electric System	September 30, 2025
Schedule of restricted assets	
Medical and Life Fund	\$ 590,947
 Total Restricted Assets	 <u>\$ 590,947</u>
Gas System	September 30, 2025
Schedule of restricted assets	
Medical and Life Fund	\$ 235,743
Restricted for future capital projects	11,709,988
 Total Restricted Assets	 <u>\$ 11,945,731</u>

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Water System	<u>September 30, 2025</u>
Series 2021A Series Warrant Fund:	
Bank Investment Account	
(variable interest rate)	\$ 305,199
Series 2020 and 2021A Series Warrant Fund:	
U.S. Treasury Obligation Fund	
(variable interest rate)	122,346
Medical and Life Fund	<u>397,235</u>
Total Restricted Assets	<u>\$ 824,780</u>
Wastewater System	<u>September 30, 2025</u>
Series 2019, 2020, 2021A and 2021B Series Warrant Fund:	
Bank Investment Account	
(Variable interest rate)	\$ 64,759,097
PFAS Fund/MUB Directed	10,826,968
U.S. Treasury Obligation Fund	
(variable interest rate)	
Medical and Life Fund	<u>293,529</u>
Total Restricted Assets	<u>\$ 75,879,594</u>
Administrative System	<u>September 30, 2025</u>
Schedule of restricted assets	
Workman's Compensation - funds on	
deposit held by insurance administrator	\$ 5,000
Sewer enhancement fund	<u>17,726</u>
Total Restricted Assets	<u>\$ 22,726</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, 2025 is \$1,928,839.

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I. Accrued Leave

Accrued PTO at September 30, 2025 is as follows:

<u>September 30, 2025</u>		
Electric	\$	445,074
Gas		148,576
Water		294,584
Wastewater		338,992
Administrative		-
	<hr/> <u>\$</u>	<hr/> <u>1,227,226</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.

NOTE 4 – OTHER INFORMATION

A. Pension Plan

Plan description: The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the Code of Alabama 1975, Title 36, Chapter 27 (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 13 trustees. Effective October 1, 2021 Act 390 of the Legislature of 2021 will create two additional representatives and change the composure of representatives within the ERS Board of Control. The Plan is administered by the Retirement Systems of Alabama (RSA). The Code of Alabama 1975, Title 36, Chapter 27 grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

MUNICIPAL UTILITIES BOARD OF DECATUR

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

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

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

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 618 employers adopted Act

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2019-132 as of September 30, 2024.

Act 316 of the Legislature of 2019 allows employees at the time of retirement to receive a partial lump sum (PLOP) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of partial lump sum distribution selected.

The ERS serves approximately 884 local participating employers. The ERS membership includes approximately 113,079 participants. As of September 30, 2024, membership consisted of:

	Utility
Retired beneficiaries currently receiving benefits	\$ 145
Terminated employees entitled to but not yet receiving benefit	20
Terminated employees not entitled to a benefit	41
Active members	183
Post-DROP retired members still in active service	-
Total	<u>389</u>

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

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

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, 2024, the Utility's active employee contribution rate was 5% of covered employee payroll for tier 1 employees and 7.5% of covered employee payroll for tier 2

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employees, and the Utility's average contribution rate to fund the normal and accrued liability costs was 159.79 percent of covered employee payroll.

The Utility's contractually required contribution rate for the year ended September 30, 2024 was 14.86% of pensionable pay for Tier 1 employees, and 13.24% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2022, 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 \$2,141,960 for the year ended September 30, 2025.

Net Pension Liability

The Utility's net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2025 rolled forward to September 30, 2024 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
Total Pension Liability as of September 30, 2024 (a)	\$ 68,610,651	\$ 69,152,887
Discount Rate (b)	7.45%	7.45%
Entry Age Normal Cost for October 1, 2023 - September 30, 2024 (c)	\$ 1,170,967	\$ 1,170,967
Transfers Among Employees (d)	\$ -	\$ (28,169)
Actual Benefit Payments and Refunds for October 1, 2023 - September 30, 2024 (e)	\$ (4,529,373)	\$ (4,529,373)
Total Pension Liability (f) as of September 30, 2024 [(a) x (1+(b))] + (c) + (d) + [e x (1+.5 x (b))]	\$ 70,195,019	\$ 70,749,483
Difference between expected and actual experience (Gain)/Loss (g)	\$ 554,464	
Less Liability Transferred for Immediate recognition	\$ (28,169)	
Experience (Gain)/Loss = (g) - (h)	\$ 582,633	

Actuarial assumptions: The total pension liability as of September 30, 2024 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2023. The key actuarial assumptions are summarized below:

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Actuarial cost method	Entry age
Asset valuation method	Five year smoothed market
Inflation	2.50%
Salary increases	3.25% - 6.00%
Investment rate of return*	7.45%, net of pension plan investment expense, including inflation
Mortality rates	Pub-2010 below-median tables, projected generationally using the MP-2021 scale, adjusted by 66-2/3% beginning 2019

The actuarial assumptions used in the actuarial valuation as of September 30, 2023, were based on the results of an actuarial study for the period October 1, 2015 through September 30, 2020.

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

Changes in Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 9/30/2023	\$ 68,610,651	\$ 40,382,645	\$ 28,228,006
Changes for the year:			
Service cost	1,170,967	-	1,170,967
Interest	4,942,774	-	4,942,774
Change of assumptions	-	-	-
Differences between expected and actual experience	582,633	-	582,633
Contributions - employer	-	1,963,352	(1,963,352)
Contributions - employee	-	939,874	(939,874)
Net investment income	-	8,353,208	(8,353,208)
Benefit payments, including refunds of employee contributions	(4,529,373)	(4,529,373)	-
Administrative expense	-	-	-
Transfers among employers	(28,169)	(28,169)	-
Net changes	2,138,832	6,698,892	(4,560,060)
Balances at 9/30/2024	\$ 70,749,483	\$ 47,081,537	\$ 23,667,946

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 7.45%, 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 (6.45%) or 1-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45 %)	Current Rate (7.45 %)	1% Increase (8.45%)
	\$ 31,420,021	\$ 23,667,945	\$ 17,104,807
Utility's net pension liability	\$ 31,420,021	\$ 23,667,945	\$ 17,104,807

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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, 2024. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2024. The auditor's report dated August 27, 2025 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/index.php/employers/financial-reports/gasb-68-reports/.

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

For the year ended September 30, 2025, the Utility recognized pension expense of \$2,841,504. At September 30, 2025, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,490,141	\$ 882,305
Changes of assumptions	505,132	-
Net difference between projected and actual earnings on pension plan investments	-	3,062,496
Employer contributions subsequent to the measurement date	<u>2,141,961</u>	-
Total	<u>\$ 5,137,234</u>	<u>\$ 3,944,801</u>

Contributions subsequent to the measurement date will be recognized in pension expense in the following measurement period. Other 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:	
2026	\$ (28,716)
2027	1,137,022
2028	(1,083,585)
2029	(974,249)
2030	-
Thereafter	-

Payables to the Defined Benefit Plan: At September 30, 2025, the Utility reported a payable of \$0 for the outstanding amount of contributions due to the defined benefit plan for the year.

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, 2025, 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.

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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 \$5,410,486 and the outstanding balance due to TVA for collection of the loans was also \$5,410,486.

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, 2025 contract commitments total \$1,796,100 for fiscal year 2026.

Decatur Utilities entered into a 30-year agreement with the Lower Alabama Gas District for the supply of 448 to 2596 MMBtu of natural gas per day at an index-based price. This agreement began December 1, 2020 and will expire February 29, 2056.

Decatur Utilities entered into a 30-year agreement with Southeast Gas Authority for the supply of 62 to 275 MMBtu of natural gas per day at an index-based price. This agreement began November 1, 2021 and will expire October 31, 2051.

Decatur Utilities entered into a 30-year agreement with Southeast Gas Authority for the supply of 223 to 1,053 MMBtu of natural gas per day at an index-based price. This agreement began December 1, 2022 and will expire November 30, 2052.

Decatur Utilities entered into a 30-year agreement with Southeast Gas Authority for the supply of 87 to 2,332 MMBtu of natural gas per day at an index-based price plus a \$.02 premium. This agreement began July 1, 2023 and will expire November 30, 2053.

Decatur Utilities entered into a 30-year agreement with Southeast Gas Authority for the supply of 846 to 1,730 MMBtu of natural gas per day at an index-based price. This agreement began December 1, 2023 and will expire November 30, 2053.

Decatur Utilities entered into a 30-year gas agreement with Southeast Gas Authority (SEA 2025C) on behalf of 4 industrial customers, one of which is a transporter on our system and three that are just in our service territory. Decatur Utilities invoices these industries each month for gas they contracted for minus the discount based on the individual industrial contracts. The SEA 2025C prepay gas agreement will reprice March 31, 2055.

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

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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, 2025 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, 2025 are detailed in the following tables. Table 1A shows the net OPEB liability as of September 30, 2025, 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, 2025 in order to be in compliance with GASB Statement No. 75.

Table 1A

	<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, 2024	<u>\$ 38,839,974</u>	<u>\$ 13,031,953</u>	<u>\$ 25,808,021</u>
Service Cost	643,751	-	643,751
Interest	2,140,428	-	2,140,428
Difference Between Actual and Expected Experiences	-	-	-
Changes of assumptions	-	-	-
Net Investment Income	-	-	-
Contributions - Employer	-	2,797,398	(2,797,398)
Contributions - members	-	-	-
Net investment income	-	742,821	(742,821)
Benefit Payments	(1,932,350)	(1,932,350)	-
Asset Adjustment	-	-	-
Administrative Expense	-	-	-
Net Changes	<u>851,829</u>	<u>1,607,869</u>	<u>(756,040)</u>
Total OPEB Liability(TOL) September 30, 2025	<u>\$ 39,691,803</u>	<u>\$ 14,639,822</u>	<u>\$ 25,051,981</u>

Actuarial Methods and Assumptions

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The valuation was based on information provided by the Utility as of October 1, 2024 and only those not frozen in the defined benefit plan.

Plan Membership

Number of Participants	
Actives (with medical coverage)	183
Actives (without medical coverage)	3
Retirees (with medical coverage)	102
Retirees spouses (with medical coverage)	54
Beneficiaries (with medical coverage)	6
Total Participants	<hr/> 348
Annual Projected Payroll	\$ 13,631,948
Average Projected Earnings	\$ 73,290

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 Utility 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, 2025, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.50%
Health Trend	Medical: 7.00% graded down to 5.60% over 3 years after the transition period. Medical trend follows the Getzen Model. Dental: 5.0% per annum
Actuarial Cost Method	Entry age normal
Mortality Rate	Pub-2010 General Headcount weighted Mortality Tables with improvement Scale MP-2021.
Asset valuation method	Market value of assets

The actuarial assumptions used in the September 30, 2025 valuation were based on the results of an actuarial experience study for the period ending October 1, 2024.

MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

Discount rate

The discount rate used to measure the total OPEB liability was 5.70 percent. The projection of cash flows used to determine the discount rate assumed that the Utility's contributions will be made at rates equal to the actuarially determined contribution rates.

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	Current	1% Increase
	6.00%	Current	8.00%
	decreasing to	7.00%	decreasing to
	4.60%	decreasing to 5.60%	6.60%
Net OPEB Liability	20,592,789	25,051,981	30,410,099

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	Current	1% increase
	4.70%	5.70%	6.70%
Net OPEB Liability	29,821,773	25,051,981	21,049,501

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

For the year ended September 30, 2025, the System recognized OPEB expense of \$3,248,759. At September 30, 2025, the System reported deferred outflows of related to OPEB liability from the following sources:

	September 30, 2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,371,766	\$ -
Change of assumptions	55,238	1,799,137
Investment losses (gains)	-	1,213,750
Post-measurement contribution	-	-
Total	\$ 8,427,004	\$ 3,012,887

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, 2025:

MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS
September 30, 2025

Year ending June 30,	Amortized
2026	1,364,402
2027	1,155,305
2028	772,991
2029	982,485
2030	1,138,934
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, 2025 no benefits were payable and not paid.

Administrative Expenses. Qualified Plan administrative expenses are paid by the Plan. During the year ended September 30, 2025 administrative expenses paid were \$0.

NOTE 5 – CONCENTRATIONS OF CREDIT RISK

The Utility has one customer that makes up approximately 14 percent of the Utility's total gas revenue for the year ended September 30, 2025.

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, 2025

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	\$ 1,170,967	\$ 1,125,818	\$ 1,057,446	\$ 910,080	\$ 840,218	\$ 830,571	\$ 785,826	\$ 765,318	\$ 762,211	\$ 735,009
Interest	4,942,774	4,730,739	4,419,031	4,544,535	4,218,387	4,049,796	3,861,606	3,777,084	3,701,363	3,669,670
Changes in benefit terms	-	-	53,676	-	355,337	-	-	-	-	-
Differences between actual & expected experience	582,633	1,542,603	2,769,142	(3,088,065)	2,446,011	675,369	976,957	(414,798)	(37,776)	(1,104,264)
Change of assumptions	-	-	1,767,960	-	-	272,995	-	1,011,888	-	-
Benefit payments, including refunds of employee contributions	(4,529,373)	(4,368,824)	(4,082,594)	(3,734,235)	(3,493,226)	(3,365,784)	(3,112,066)	(2,878,582)	(3,069,854)	(2,738,647)
Transfers among employees	(28,169)	(103,948)	110,413	69,816	(10,534)	63,270	109,124	(41,676)	6,054	-
Net change in total pension liability	2,138,832	2,926,388	4,327,114	470,091	4,356,193	2,253,222	2,894,442	1,207,346	2,373,886	561,768
Total pension liability - beginning	68,610,651	65,684,263	61,357,149	60,887,058	56,530,865	54,277,643	51,383,201	50,175,855	47,801,969	47,240,201
Total pension liability - ending (a)	<u>70,749,483</u>	<u>68,610,651</u>	<u>65,684,263</u>	<u>61,357,149</u>	<u>60,887,058</u>	<u>56,530,865</u>	<u>54,277,643</u>	<u>51,383,201</u>	<u>50,175,855</u>	<u>47,801,969</u>
Plan fiduciary net position										
Contributions - employer	1,963,352	1,690,634	1,950,507	1,630,854	1,479,041	1,457,804	1,440,567	1,415,404	1,451,760	1,481,898
Contributions - employee	939,874	783,535	791,803	700,082	587,421	591,191	547,638	533,792	517,917	588,751
Net investment income	8,353,208	4,755,060	(5,607,813)	8,200,831	2,071,088	941,061	3,200,475	4,038,012	3,010,348	357,511
Benefit payments, including refunds of employee contributions	(4,529,373)	(4,368,824)	(4,082,594)	(3,734,235)	(3,493,226)	(3,365,784)	(3,112,066)	(2,878,582)	(3,069,854)	(2,738,647)
Transfers among employees	(28,169)	(103,948)	110,413	69,816	(10,534)	63,270	109,124	(41,675)	6,054	(103,901)
Net change in plan fiduciary net position - beginning	6,698,892	2,756,457	(6,837,684)	6,867,348	633,790	(312,458)	2,185,738	3,066,951	1,916,225	(414,388)
Plan fiduciary net position - beginning	40,382,645	37,626,188	44,463,873	37,596,525	36,962,735	37,275,193	35,089,455	32,022,504	30,106,279	30,520,667
Plan fiduciary net position - ending (b)	<u>47,081,537</u>	<u>40,382,645</u>	<u>37,626,189</u>	<u>44,463,873</u>	<u>37,596,525</u>	<u>36,962,735</u>	<u>37,275,193</u>	<u>35,089,455</u>	<u>32,022,504</u>	<u>30,106,279</u>
Net pension liability (asset) - ending (a) - (b)	23,667,946	28,228,006	28,058,075	16,893,277	23,290,533	19,568,130	17,002,450	16,293,746	18,153,351	17,695,690
Plan fiduciary net position as a percentage of total pension liability	66.55%	58.86%	57.28%	72.47%	61.75%	65.39%	68.68%	68.29%	63.82%	62.98%
Covered - employee payroll	15,059,617	14,811,724	14,274,124	13,294,216	12,756,883	11,641,834	11,307,293	10,665,563	10,397,431	9,916,527
Net pension liability (asset) as a percentage of covered - employee payroll	157.16%	190.58%	196.57%	127.07%	182.57%	168.08%	150.37%	152.77%	174.59%	178.45%

This schedule is presented to illustrate the requirement to show information for 10 years.

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, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 2,141,961	\$ 1,938,286	\$ 1,627,316	\$ 1,857,012	\$ 1,695,643	\$ 1,469,435	\$ 1,404,907	\$ 1,391,790	\$ 1,415,401	\$ 1,451,818
Contributions in relation to the actuarially determined contribution	<u>2,141,961</u>	<u>1,938,286</u>	<u>1,627,316</u>	<u>1,857,012</u>	<u>1,695,643</u>	<u>1,469,435</u>	<u>1,404,907</u>	<u>1,391,790</u>	<u>1,415,401</u>	<u>1,451,818</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 15,059,617	\$ 14,811,724	\$ 13,792,836	\$ 13,294,216	\$ 12,756,883	\$ 11,641,834	\$ 11,307,293	\$ 11,388,209	\$ 10,665,563	\$ 10,397,431
Contributions as a percentage of covered - employee payroll	14.22%	13.09%	11.80%	13.97%	13.29%	12.62%	12.42%	12.22%	13.27%	13.96%

This schedule is presented to illustrate the requirement to show information for 10 years.

**MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT SYSTEMS OF ALABAMA**

For the Year Ended September 30, 2025

Valuation Date : Actuarially determined contribution rates as of September 30, three years prior to the end of the fiscal year in which contributions reported. Contributions for fiscal year 2025 were based on the September 30, 2022 actuarial valuation. Methods and assumptions used to determine contribution rates for the period October 1, 2024 to September 30, 2025.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	22.7 years
Asset valuation method	Five year smoothed market
Inflation	2.500%
Salary increases	3.25 - 6.00%, including inflation
Investment rate of return	7.45%, net of pension plan investment expense, including inflation

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

For the Year Ended September 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service cost	643,751	470,857	446,733	404,942	387,319	373,572	424,692	577,544
Interest	2,140,428	1,581,444	1,535,758	1,148,612	1,157,651	1,039,156	1,269,752	1,076,050
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	7,895,205	-	8,196,997	-	193,875	(5,687,159)	-
Changes of assumptions	-	77,331	-	(5,397,417)	-	(3,367,893)	(1,338,994)	-
Benefits Payments and Refunds	(1,932,350)	(1,160,583)	(1,199,175)	(1,761,260)	(1,047,526)	(883,341)	(941,411)	(822,065)
Net Change in Total OPEB Liability	851,829	8,864,254	783,316	2,591,874	497,444	(2,644,631)	(6,273,120)	831,529
Total OPEB Liability - beginning	38,839,974	29,975,720	29,192,404	26,600,530	26,103,086	28,747,717	35,020,837	34,189,308
Total OPEB Liability - ending (a)	\$ 39,691,803	\$ 38,839,974	\$ 29,975,720	\$ 29,192,404	\$ 26,600,530	\$ 26,103,086	\$ 28,747,717	\$ 35,020,837
 Asset Adjustment								
Plan fiduciary net position								
Contributions - employer	2,797,398	1,778,254	2,112,838	1,507,635	1,741,315	8,875,780	941,411	822,065
Contributions - employee	-	310,587	-	285,605	-	294,342	-	-
Net investment income	742,821	1,616,323	471,306	(619,707)	377,073	545	-	-
Benefit payments, including refunds of employee contributions	(1,932,350)	(1,160,583)	(1,199,175)	(1,761,260)	(1,047,526)	(883,341)	(941,411)	(822,065)
Asset adjustment	-	421,427	-	-	-	-	-	-
Administrative expenses	-	(46,906)	-	(42,579)	-	-	-	-
Net change in plan fiduciary net position - beginning	1,607,869	2,919,102	1,384,969	(630,306)	1,070,862	8,287,326	-	-
Plan fiduciary net position - beginning	13,031,953	10,112,851	8,727,882	9,358,188	8,287,326	-	-	-
Plan fiduciary net position - ending (b)	14,639,822	13,031,953	10,112,851	8,727,882	9,358,188	8,287,326	-	-
 Net OPEB liability (asset) - ending (a) - (b)	25,051,981	25,808,021	19,862,869	20,464,522	17,242,342	17,815,760	28,747,717	35,020,837
 Covered Employee Payroll	\$ 13,631,948	\$ 13,299,461	\$ 12,518,373	\$ 12,213,047	\$ 10,840,661	\$ 10,576,255	\$ 9,259,586	\$ 9,721,892
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	36.88%	33.55%	33.74%	29.90%	35.18%	31.75%	0.00%	0.00%
Net OPEB Liability as a % of covered-employee payroll	183.77%	194.05%	158.67%	167.56%	159.05%	168.45%	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.

The discount rate for Statement No.74 and No. 75 is 5.7% compared to the prior rate of 5.40%.

Medical trend was set to 7.00% decreasing uniformly to 5.60% over 3 years, then follow the Getzen Model to an ultimate rate of 4.04% in 2075.

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULES OF CONTRIBUTIONS - OPEB

For the Year Ended September 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 2,797,398	\$ 2,088,971	\$ 2,112,838	\$ 1,716,035	\$ 1,741,315	\$ 2,539,943	\$ 2,416,055	\$ 2,884,814
Contributions in relation to the actuarially determined contribution	2,797,398	1,778,254	2,112,838	1,507,635	1,741,315	8,875,780	941,411	822,065
Contribution deficiency (excess)	\$ -	\$ 310,717	\$ -	\$ 208,400	\$ -	\$ (6,335,837)	\$ 1,474,644	\$ 2,062,749
Covered-employee payroll	\$ 13,631,948	\$ 13,299,461	\$ 12,518,373	\$ 12,213,047	\$ 10,840,661	\$ 10,576,255	\$ 9,259,586	\$ 9,721,892
Contributions as a percentage of covered - employee payroll	20.52%	13.37%	16.88%	12.34%	16.06%	83.92%	10.17%	8.46%

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
SCHEDULES OF INVESTMENT RETURNS
OPEB PLAN**

For the Years Ended September 30,

Annual money-weighted rate of return, net of investment expense	2025	2024	2023	2022	2021	2020
	5.37%	14.90%	8.20%	-9.08%	4.55%	0.01%

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.

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

For the Year Ended September 30, 2025

Notes to OPEB Required Supplementary Information

Valuation Date : Actuarially determined contribution rates for 2025 were calculated based on the October 1, 2024 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actual cost method: Entry age normal - level percent of pay
Mortality: Pub-2010 General Headcount weighted MortalityTables with improvement Scale MP-2021.
Turnover: None

Retirement rates:	<u>Rate of</u>	
	<u>Age</u>	<u>retirement</u>
	50	10%
	51-54	5%
	55	20%
	56-64	5%
	65	100%

Salary Increases 2.50% per annum
Discount rate: 5.70% per annum
Health Care Cost Trend Rate: Medical - 7.00% to grade uniformly to 5.60% over 3 years after the transition period, medical trend follows the Getzen model.
Dental - 5.0% per annum

SUPPLEMENTARY AND OTHER INFORMATION SECTION

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF LONG-TERM DEBT
September 30, 2025

Year Ended September 30,	2019 Series Wastewater Warrants		2020 Series Wastewater Warrants		2021A Series Wastewater Warrants		2021B Series Wastewater Warrants	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 795,000	\$ 101,303	\$ 1,988,410	\$ 311,187	\$ 145,000	\$ 2,078,581	\$ 1,355,000	\$ 2,180,498
2027	810,000	85,244	2,014,043	283,349	155,000	2,072,781	1,370,000	2,167,625
2028	830,000	68,882	2,047,000	253,139	155,000	2,066,581	1,380,000	2,151,322
2029	840,000	52,116	2,087,281	218,135	160,000	2,060,381	1,400,000	2,132,416
2030	860,000	35,148	2,123,900	180,355	170,000	2,053,981	1,420,000	2,109,736
2031	880,000	17,776	2,160,519	139,789	175,000	2,047,181	1,450,000	2,085,312
2032	-	-	2,208,124	96,362	180,000	2,040,181	2,365,000	2,058,777
2033	-	-	2,252,067	49,771	190,000	2,032,981	2,415,000	2,013,369
2034	-	-	-	-	200,000	2,025,381	5,605,000	1,964,586
2035	-	-	-	-	205,000	2,017,381	5,725,000	1,848,563
2036	-	-	-	-	215,000	2,009,181	5,850,000	1,724,330
2037	-	-	-	-	225,000	2,000,581	5,980,000	1,591,535
2038	-	-	-	-	235,000	1,991,581	6,120,000	1,449,809
2039	-	-	-	-	240,000	1,982,181	6,275,000	1,298,645
2040	-	-	-	-	250,000	1,972,581	6,430,000	1,139,888
2041	-	-	-	-	885,000	1,962,581	6,595,000	974,637
2042	-	-	-	-	900,000	1,944,881	6,775,000	798,550
2043	-	-	-	-	920,000	1,926,881	6,960,000	612,238
2044	-	-	-	-	935,000	1,908,481	7,155,000	417,358
2045	-	-	-	-	955,000	1,889,781	7,360,000	213,440
2046	-	-	-	-	8,545,000	1,870,681	-	-
2047	-	-	-	-	8,720,000	1,699,781	-	-
2048	-	-	-	-	9,065,000	1,350,981	-	-
2049	-	-	-	-	9,430,000	988,381	-	-
2050	-	-	-	-	9,805,000	611,181	-	-
2051	-	-	-	-	10,305,000	109,491	-	-
	\$ 5,015,000	\$ 360,469	\$ 16,881,344	\$ 1,532,086	\$ 63,365,000	\$ 46,714,622	\$ 89,985,000	\$ 30,932,631

See independent auditor's report.

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF LONG-TERM DEBT
September 30, 2025

Year Ended	2020 Series Water Warrant		2021 Series Water Warrant		Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2026	\$ 726,590	\$ 113,712	\$ 345,000	\$ 277,000	\$ 5,355,000	\$ 5,062,280	\$ 10,417,281
2027	735,957	103,539	360,000	263,200	5,445,000	4,975,739	10,420,739
2028	748,000	92,500	375,000	248,800	5,535,000	4,881,224	10,416,224
2029	762,719	79,709	390,000	233,800	5,640,000	4,776,557	10,416,557
2030	776,100	65,904	405,000	218,200	5,755,000	4,663,324	10,418,324
2031	789,481	51,080	420,000	202,000	5,875,000	4,543,138	10,418,138
2032	806,876	35,212	440,000	185,200	6,000,000	4,415,732	10,415,732
2033	822,933	18,187	455,000	167,600	6,135,000	4,281,908	10,416,908
2034	-	-	475,000	149,400	6,280,000	4,139,367	10,419,367
2035	-	-	490,000	130,400	6,420,000	3,996,344	10,416,344
2036	-	-	510,000	110,800	6,575,000	3,844,311	10,419,311
2037	-	-	530,000	90,400	6,735,000	3,682,516	10,417,516
2038	-	-	555,000	69,200	6,910,000	3,510,590	10,420,590
2039	-	-	575,000	47,000	7,090,000	3,327,826	10,417,826
2040	-	-	600,000	24,000	7,280,000	3,136,469	10,416,469
2041	-	-	-	-	7,480,000	2,937,218	10,417,218
2042	-	-	-	-	7,675,000	2,743,431	10,418,431
2043	-	-	-	-	7,880,000	2,539,119	10,419,119
2044	-	-	-	-	8,090,000	2,325,839	10,415,839
2045	-	-	-	-	8,315,000	2,103,221	10,418,221
2046	-	-	-	-	8,545,000	1,870,681	10,415,681
2047	-	-	-	-	8,720,000	1,699,781	10,419,781
2048	-	-	-	-	9,065,000	1,350,981	10,415,981
2049	-	-	-	-	9,430,000	988,381	10,418,381
2050	-	-	-	-	9,805,000	611,181	10,416,181
2051	-	-	-	-	10,305,000	109,491	10,414,491
	<u>\$ 6,168,656</u>	<u>\$ 559,844</u>	<u>\$ 6,925,000</u>	<u>\$ 2,417,000</u>	<u>\$ 188,340,000</u>	<u>\$ 82,516,651</u>	<u>\$ 270,856,651</u>

See independent auditor's report.

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF OPERATING STATISTICS, ELECTRIC - UNAUDITED
September 30, 2025

	For The Fiscal Years Ended September 30,				
	2025	2024	2023	2022	2021
Revenue					
Residential (net of bad debt)	\$ 38,609,298	\$ 35,073,478	\$ 33,307,226	\$ 35,811,986	\$ 31,261,966
Commercial	8,501,394	7,888,663	7,318,629	7,813,860	7,018,996
Industrial	61,054,435	55,088,750	53,382,066	56,381,863	49,584,405
Street and outdoor lighting	1,025,812	996,520	982,662	979,410	913,952
Unbilled revenue	277,965	41,264	118,770	126,144	(214,518)
Other operating	1,284,150	1,309,586	1,114,377	1,228,312	1,141,073
Interest and other revenue	1,348,104	1,460,160	1,182,333	192,608	8,809
	<u>\$ 112,101,158</u>	<u>\$ 101,858,421</u>	<u>\$ 97,406,063</u>	<u>\$ 102,534,183</u>	<u>\$ 89,714,683</u>
Expense					
Electric power costs	\$ 89,750,291	\$ 82,482,126	\$ 80,652,235	\$ 85,621,900	\$ 74,398,307
Other operating expenses	11,008,549	11,280,176	10,399,945	7,844,066	8,218,048
Provision for depreciation	3,581,845	3,773,204	3,861,897	3,345,350	2,981,689
Transfer out - tax equivalent	1,784,207	1,833,031	1,884,168	1,881,805	1,886,797
Interest and other expense	14,498	13,426	2,284	3,879	6,093
	<u>106,139,390</u>	<u>99,381,963</u>	<u>96,800,530</u>	<u>98,697,000</u>	<u>87,490,933</u>
Net income (loss)	<u>\$ 5,961,768</u>	<u>\$ 2,476,458</u>	<u>\$ 605,533</u>	<u>\$ 3,837,183</u>	<u>\$ 2,223,750</u>
Financial					
Plant in service (net)	<u>\$ 49,863,046</u>	<u>\$ 49,386,514</u>	<u>\$ 48,563,005</u>	<u>\$ 48,024,661</u>	<u>\$ 47,240,770</u>
KWH's sold					
Residential	318,195,404	320,827,045	305,512,397	328,243,510	323,617,914
Commercial	64,311,418	66,111,236	61,617,296	65,298,760	64,306,288
Industrial	762,525,497	763,497,549	743,839,095	780,511,950	790,654,966
Other customers	5,437,667	5,574,386	5,734,090	6,006,919	6,318,830
Accrued unbilled kWh	1,509,846	(1,760,771)	(2,161,427)	1,489,080	2,171,400
Total	<u>1,151,979,832</u>	<u>1,154,249,445</u>	<u>1,114,541,451</u>	<u>1,181,550,219</u>	<u>1,187,069,398</u>
Number of customers					
Residential	22,938	22,814	22,871	22,772	22,770
Small commercial	3,519	3,463	3,433	3,392	3,386
Large commercial	509	494	489	506	482
Street and athletic	111	109	111	111	116
Outdoor lighting - code 78	61	61	59	61	60
	<u>27,138</u>	<u>26,941</u>	<u>26,963</u>	<u>26,842</u>	<u>26,814</u>
Line loss	<u><u>2.34%</u></u>	<u><u>2.21%</u></u>	<u><u>2.43%</u></u>	<u><u>2.48%</u></u>	<u><u>2.35%</u></u>
Miles of line	596.7	596.6	596.3	595.5	595.5

See independent auditor's report.

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF OPERATING STATISTICS, GAS - UNAUDITED
September 30, 2025

	For The Fiscal Years Ended September 30,				
	2025	2024	2023	2022	2021
Revenue					
Residential (net of bad debt)	\$ 4,733,805	\$ 4,309,968	\$ 4,043,823	\$ 4,868,402	\$ 4,475,514
Commercial	3,164,469	2,704,571	2,591,461	3,622,360	3,123,769
Industrial	7,346,272	6,058,186	7,695,966	12,547,647	7,171,071
Other operating	133,685	121,243	124,294	146,952	143,536
Contributed capital	22,615	13,264	76,865	49,647	8,420
Interest and other revenue	<u>593,193</u>	<u>637,208</u>	<u>526,048</u>	<u>82,894</u>	<u>9,456</u>
	<u><u>\$ 15,994,039</u></u>	<u><u>\$ 13,844,440</u></u>	<u><u>\$ 15,058,457</u></u>	<u><u>\$ 21,317,902</u></u>	<u><u>\$ 14,931,767</u></u>
Expense					
Gas purchased	\$ 9,919,640	\$ 8,686,549	\$ 10,494,956	\$ 15,994,562	\$ 10,563,287
Other operating expenses	4,396,453	4,134,309	3,860,082	3,215,577	3,309,030
Provision for depreciation	1,121,475	1,113,050	1,049,676	1,001,924	972,859
Transfer out - tax equivalent	264,474	-	-	527,440	38,055
Interest and other expense	<u>4,907</u>	<u>4,544</u>	<u>773</u>	<u>1,312</u>	<u>2,062</u>
	<u><u>15,706,949</u></u>	<u><u>13,938,452</u></u>	<u><u>15,405,487</u></u>	<u><u>20,740,815</u></u>	<u><u>14,885,293</u></u>
Net income (loss)	<u><u>\$ 287,090</u></u>	<u><u>\$ (94,012)</u></u>	<u><u>\$ (347,030)</u></u>	<u><u>\$ 577,087</u></u>	<u><u>\$ 46,475</u></u>
Financial					
Plant in service (net)	<u><u>\$ 24,010,253</u></u>	<u><u>\$ 23,789,909</u></u>	<u><u>\$ 23,206,103</u></u>	<u><u>\$ 22,914,509</u></u>	<u><u>\$ 22,647,013</u></u>
MCF's sold					
Residential	429,021	414,830	388,225	424,566	450,048
Commercial	478,897	453,343	454,829	485,785	486,188
Industrial	919,072	958,184	906,434	887,166	861,725
Flex	518,370	562,922	574,953	678,773	721,795
Transportation	<u>3,946,099</u>	<u>3,916,494</u>	<u>3,943,258</u>	<u>4,010,496</u>	<u>3,366,368</u>
Total	<u><u>6,291,459</u></u>	<u><u>6,305,773</u></u>	<u><u>6,267,699</u></u>	<u><u>6,486,786</u></u>	<u><u>5,886,124</u></u>
Number of customers					
Residential	11,693	11,804	11,862	11,800	11,790
Commercial	1,630	1,637	1,650	1,649	1,644
Industrial	33	32	32	30	30
Flex	3	3	2	2	2
Transportation	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
	<u><u>13,369</u></u>	<u><u>13,486</u></u>	<u><u>13,556</u></u>	<u><u>13,491</u></u>	<u><u>13,476</u></u>
Loss percentage	<u><u>0.00%</u></u>	<u><u>0.01%</u></u>	<u><u>0.31%</u></u>	<u><u>0.12%</u></u>	<u><u>1.23%</u></u>
Miles of mains	431	431	426	425	423

See independent auditor's report.

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF OPERATING STATISTICS, WATER - UNAUDITED
September 30, 2025

	For The Fiscal Years Ended September 30,				
	2025	2024	2023	2022	2021
Revenue					
Residential (net of bad debt)	\$ 6,264,785	\$ 6,241,774	\$ 5,918,968	\$ 5,684,550	\$ 5,600,056
Commercial	2,049,787	2,005,862	1,955,173	1,847,846	1,819,190
Industrial	4,830,446	4,837,171	4,863,613	4,725,182	4,570,163
Resale	2,846,701	2,896,617	2,505,883	2,534,038	2,230,857
Other operating	1,387,853	1,394,089	1,336,413	1,338,568	1,206,196
Capital contributions	1,777,261	1,260,005	225,769	303,260	471,236
Interest and other revenue	622,444	775,053	656,584	131,683	13,805
	<u>\$ 19,779,277</u>	<u>\$ 19,410,571</u>	<u>\$ 17,462,402</u>	<u>\$ 16,565,127</u>	<u>\$ 15,911,503</u>
Expense					
Treatment expense	6,972,726	7,026,285	6,979,162	6,216,016	5,124,185
Other operating expenses	7,029,032	6,452,651	5,629,581	4,403,601	4,637,642
Provision for depreciation	3,895,507	3,628,188	3,452,878	3,466,502	3,315,943
Transfer out - tax equivalent	659,166	682,342	636,996	647,096	600,261
Interest and other expense	397,036	418,159	436,149	453,760	500,040
	<u>18,953,467</u>	<u>18,207,625</u>	<u>17,134,766</u>	<u>15,186,975</u>	<u>14,178,071</u>
Net income (loss)	<u>\$ 825,810</u>	<u>\$ 1,202,946</u>	<u>\$ 327,636</u>	<u>\$ 1,378,152</u>	<u>\$ 1,733,433</u>
Financial					
Plant in service (net)	<u>\$ 82,708,049</u>	<u>\$ 82,872,885</u>	<u>\$ 82,651,120</u>	<u>\$ 80,986,508</u>	<u>\$ 77,078,655</u>
Gallons sold (1000's)					
Residential	1,442,082	1,569,655	1,416,758	1,456,669	1,403,338
Commercial	998,253	998,153	982,398	961,158	943,228
Industrial	5,208,776	5,230,835	5,299,192	5,237,989	5,049,337
Resale	2,728,863	2,885,106	2,482,297	2,604,771	2,267,535
Total	<u>10,377,974</u>	<u>10,683,749</u>	<u>10,180,645</u>	<u>10,260,587</u>	<u>9,663,438</u>
Number of customers					
Residential	22,715	22,579	22,269	22,319	22,260
Commercial	3,417	3,390	3,379	3,333	3,269
Industrial	88	87	87	88	89
Resale	11	10	10	10	10
	<u>26,231</u>	<u>26,066</u>	<u>25,745</u>	<u>25,750</u>	<u>25,628</u>
Loss percentage	<u>10.26%</u>	<u>10.19%</u>	<u>10.00%</u>	<u>3.57%</u>	<u>4.62%</u>
Miles of mains	498	496	495	494	494
Fire hydrants in service	2,167	2,147	2,130	2,127	2,117
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, 2025

	For The Fiscal Years Ended September 30,				
	2025	2024	2023	2022	2021
Revenue					
Residential (net of bad debt)	\$ 9,925,317	\$ 9,909,681	\$ 9,540,932	\$ 8,491,105	\$ 6,652,194
Commercial	4,256,832	4,152,647	4,056,964	3,705,788	3,305,059
Industrial	10,785,695	10,622,142	10,169,026	10,417,728	8,157,252
Government agencies	148,113	138,982	129,944	122,091	94,117
Other operating	1,858,409	1,904,195	1,864,368	1,830,378	1,595,663
Capital contributions	1,194,647	2,498,928	1,203,260	414,057	441,477
Interest and other revenue	<u>3,707,188</u>	<u>4,759,436</u>	<u>3,463,846</u>	<u>7,145,238</u>	<u>(47,596)</u>
	<u><u>\$ 31,876,201</u></u>	<u><u>\$ 33,986,011</u></u>	<u><u>\$ 30,428,340</u></u>	<u><u>\$ 32,126,386</u></u>	<u><u>\$ 20,198,166</u></u>
Expense					
Treatment expense	4,670,114	4,349,136	4,236,558	3,818,529	3,741,516
Other operating expenses	6,465,589	6,240,569	5,694,751	4,729,805	4,758,884
Provision for depreciation	5,555,318	5,345,518	5,137,663	4,974,469	4,902,836
Transfer out - tax equivalent	876,557	876,049	850,408	949,380	797,406
Interest and other expense	<u>4,718,575</u>	<u>4,766,270</u>	<u>4,825,481</u>	<u>4,839,560</u>	<u>2,768,130</u>
	<u><u>22,286,153</u></u>	<u><u>21,577,542</u></u>	<u><u>20,744,861</u></u>	<u><u>19,311,743</u></u>	<u><u>16,968,772</u></u>
Net income (loss)	<u><u>\$ 9,590,048</u></u>	<u><u>\$ 12,408,469</u></u>	<u><u>\$ 9,683,479</u></u>	<u><u>\$ 12,814,643</u></u>	<u><u>\$ 3,229,393</u></u>
Financial					
Plant in service (net)	<u><u>\$ 244,398,880</u></u>	<u><u>\$ 179,185,103</u></u>	<u><u>\$ 159,289,385</u></u>	<u><u>\$ 150,194,894</u></u>	<u><u>\$ 138,243,255</u></u>
Gallons billed (1000's)					
Residential	940,629	962,090	923,576	920,676	947,924
Commercial	796,823	789,250	781,210	753,014	750,912
Industrial	2,487,456	2,475,213	2,400,906	2,474,420	2,140,850
Government agencies	<u>37,590</u>	<u>33,573</u>	<u>31,909</u>	<u>34,250</u>	<u>37,893</u>
Total	<u><u>4,262,498</u></u>	<u><u>4,260,126</u></u>	<u><u>4,137,601</u></u>	<u><u>4,182,360</u></u>	<u><u>3,877,579</u></u>
Number of customers					
Residential	18,876	18,725	18,621	18,467	18,396
Commercial	2,411	2,410	2,386	2,349	2,283
Industrial	73	73	74	75	75
Government agencies	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
	<u><u>21,361</u></u>	<u><u>21,209</u></u>	<u><u>21,082</u></u>	<u><u>20,892</u></u>	<u><u>20,755</u></u>
Miles of mains	384	382	379	377	377

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 business-type activities of the Municipal Utilities Board of Decatur, Morgan County, Alabama and the financial statements of the Municipal Utilities Board of Decatur OPEB Plan (fiduciary fund), an enterprise fund of the City of Decatur Alabama, as of and for the year ended September 30, 2025, 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 10, 2025.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 or significant deficiencies may exist that have not been identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Utility'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 Utility's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ATA, PC

Jackson, Tennessee
December 10, 2025

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF FINDINGS
September 30, 2025

No current year findings reported.

**MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF PRIOR YEAR FINDINGS**

September 30, 2025

No prior year findings reported.