

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2018**

**MUNICIPAL UTILITIES BOARD OF DECATUR  
TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

Directory

**FINANCIAL SECTION**

Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	4
Basic Financial Statements:	
Statement of Net Position .....	16
Statement of Revenues, Expenses, and Changes in Net Position .....	18
Statement of Cash Flows.....	20
Notes to Financial Statements .....	23
Required Supplementary Information:	
Schedule of Changes in Net Position Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan.....	43
Schedule of Contributions Based on Participation in the Public Employee Pension Plan.....	44
Notes to Required Supplementary Information.....	45
Schedules of Changes in the Net OPEB Liability and Related Ratios .....	46
Schedules of Notes to OPEB Required Supplementary Information .....	47

**SUPPLEMENTARY AND OTHER INFORMATION SECTION**

Schedule of Long-Term Debt.....	48
Schedule of Operating Statistics, Electric - Unaudited .....	50
Schedule of Operating Statistics, Gas – Unaudited.....	51
Schedule of Operating Statistics, Water – Unaudited.....	52
Schedule of Operating Statistics, Wastewater – Unaudited .....	53

**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 <i>Government Auditing Standards</i> .....	54
Schedule of Findings .....	56
Schedule of Prior Year Findings .....	57

**MUNICIPAL UTILITIES BOARD OF DECATUR, MORGAN COUNTY, ALABAMA  
D/B/A DECATUR UTILITIES  
INTRODUCTORY SECTION  
September 30, 2018**

**DIRECTORY**

**BOARD OF DIRECTORS**

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

**MANAGEMENT TEAM**

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

**INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Alexander Thompson Arnold PLLC  
Jackson, Tennessee

## **FINANCIAL SECTION**



## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Municipal Utilities Board of Decatur, Morgan County, Alabama, a component unit of the City of Decatur, Alabama, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Municipal Utilities Board of Decatur, as of September 30, 2018, and the

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

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Municipal Utilities Board of Decatur's enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Decatur, Alabama, as of September 30, 2018, the changes in its financial position or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

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

***Other Information***

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

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018 on our consideration of the Municipal Utilities Board of Decatur's internal control over financial

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

*Alexander Thompson Arnold PLLC*

Jackson, Tennessee  
December 21, 2018

## 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, 2018. 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 \$227 million (*Net Position*).
- Operating revenues were \$145 million, an increase from fiscal year 2017 in the amount of \$6 million or 4.52%.
- Operating expenses were \$130 million, an increase from fiscal year 2017 in the amount of \$4 million or 3.09%.
- The operating income for the year was \$16 million as compared to \$13 million for fiscal year 2017.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

### REQUIRED FINANCIAL STATEMENTS

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

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

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

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



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

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

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

## FINANCIAL ANALYSIS

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

The Electric System's total Net Position decreased by \$7.61 million for the fiscal year ended September 30, 2018. The analysis below focuses on the System's Net Position (Table 1A) and changes in Net Position (Table 1B) during the year.

Table 1A  
ELECTRIC SYSTEM

		CONDENSED STATEMENT OF NET POSITION			
		September 30, 2018	September 30, 2017	Increase (Decrease)	
				\$	%
Current assets	\$	28,736,473	\$ 33,580,243	\$ (4,843,770)	-14.42%
Restricted assets		3,693,132	2,942,143	750,989	25.53%
Capital assets		46,289,848	42,401,396	3,888,452	9.17%
Other assets		3,119,280	2,607,809	511,471	19.61%
Total assets		81,838,734	81,531,591	307,143	0.38%
Deferred outflows of resources		895,919	1,058,865	(162,946)	-15.39%
Current liabilities		12,623,799	16,026,090	(3,402,291)	-21.23%
Long term liabilities		20,240,403	9,976,511	10,263,892	102.88%
Other liabilities		3,267,523	2,870,681	396,842	13.82%
Total liabilities		36,131,725	28,873,282	7,258,443	25.14%
Deferred inflows of resources		782,310	283,010	499,300	176.42%
Investment in capital assets		46,289,848	42,401,396	3,888,452	9.17%
Restricted		3,693,132	2,942,143	750,989	25.53%
Unrestricted		(4,162,364)	8,088,625	(12,250,989)	-151.46%
Total net position	\$	45,820,617	\$ 53,432,164	\$ (7,611,547)	-14.25%

The most significant changes from fiscal year 2017 to 2018 were in long term liabilities due to increases in Postemployment benefits from the current year implementation of GASB statement 75. Postemployment benefits other than pensions (OPEB) increased by \$11.06 million with \$10.67 million from prior period adjustments.

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, 2018.

Table 1B  
ELECTRIC SYSTEM

			Increase (Decrease)	
	September 30, 2018	September 30, 2017	\$	%
Operating revenues	\$ 97,006,626	\$ 91,740,396	\$ 5,266,230	5.74%
Purchased power	82,311,528	79,365,207	2,946,321	3.71%
Gross margin	14,695,098	12,375,189	2,319,909	18.75%
Other operating expenses	10,314,485	9,681,702	632,783	6.54%
Operating income	4,380,612	2,693,487	1,687,125	62.64%
Other revenue (expenses)	418,818	106,807	312,011	292.13%
Income before transfers	4,799,430	2,800,293	1,999,137	71.39%
Tax equivalents	(1,736,521)	(1,703,462)	33,059	1.94%
Change in net position	3,062,909	1,096,831	1,966,078	179.25%
Net position - beginning	53,432,164	52,335,333	1,096,831	2.10%
Restatement of net position	(10,674,456)	-	(10,674,456)	100.00%
Net position - beginning (restated)	42,757,708	52,335,333	(9,577,625)	-18.30%
Net position - ending	\$ 45,820,617	\$ 53,432,164	\$ (7,611,547)	-14.25%

From fiscal year 2017 to 2018, operating revenues increased by 5.74% due to higher volumes in the Residential customer class as compared to the prior year. Net position decreased 14.25% from the prior year due to implementation of GASB statement 75.

The Gas System's total Net Position decreased by \$3 million for the fiscal year ended September 30, 2018. 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**

			Increase (Decrease)	
			\$	%
	September 30, 2018	September 30, 2017		
Current assets	\$ 6,045,366	\$ 5,615,633	\$ 429,733	7.65%
Restricted assets	2,331,175	1,075,747	1,255,428	116.70%
Capital assets	21,095,212	20,559,693	535,519	2.60%
Other assets	59,688	482,150	(422,462)	-87.62%
Total assets	<u>29,531,441</u>	<u>27,733,223</u>	<u>1,798,218</u>	<u>6.48%</u>
Deferred outflows of resources	<u>273,366</u>	<u>305,606</u>	<u>(32,240)</u>	<u>-10.55%</u>
Current liabilities	1,172,908	1,222,184	(49,276)	-4.03%
Long term liabilities	7,184,158	3,463,945	3,720,213	107.40%
Other liabilities	1,661,382	274,968	1,386,414	504.21%
Total liabilities	<u>10,018,448</u>	<u>4,961,097</u>	<u>5,057,351</u>	<u>101.94%</u>
Deferred inflows of resources	<u>239,787</u>	<u>102,097</u>	<u>137,690</u>	<u>134.86%</u>
Investment in capital assets	21,095,212	20,559,693	535,519	2.60%
Restricted	2,331,175	1,075,747	1,255,428	116.70%
Unrestricted	(3,879,817)	1,340,195	(5,220,012)	-389.50%
Total net position	<u>\$ 19,546,569</u>	<u>\$ 22,975,635</u>	<u>\$ (3,429,066)</u>	<u>-14.92%</u>

The most significant changes from fiscal year 2017 to 2018 were in long term liabilities due to increases in Postemployment benefits from the current year implementation of GASB statement 75. Postemployment benefits other than pensions (OPEB) increased by \$3.94 million with \$3.83 million from prior period adjustments.

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, 2018.

Table 2B  
**GAS SYSTEM**

			Increase (Decrease)	
	September 30, 2018	September 30, 2017	\$	%
Operating revenues	\$ 15,237,050	\$ 14,198,279	\$ 1,038,771	7.32%
Purchased gas	10,908,578	10,932,346	(23,768)	-0.22%
Gross margin	4,328,472	3,265,933	1,062,539	32.53%
Other operating expenses	3,746,895	3,617,478	129,417	3.58%
Operating income (loss)	581,578	(351,545)	933,123	265.43%
Other revenue (expenses)	131,425	21,443	109,982	512.90%
Income (loss) before transfers	713,002	(330,102)	1,043,104	315.99%
Transfer to Decatur general fund	(356,501)	-	356,501	100.00%
Aid in construction	48,817	10,325	38,492	372.80%
Change in net position	405,318	(319,777)	725,095	226.75%
Net position - beginning	22,975,635	23,295,412	(319,777)	-1.37%
Restatement of net position	(3,834,381)	-	(3,834,381)	100.00%
Net position - beginning (restated)	19,141,254	23,295,412	(4,154,158)	-17.83%
Net position - ending	\$ 19,546,572	\$ 22,975,635	\$ (3,429,063)	-14.92%

From fiscal year 2017 to 2018, operating revenues increased 7.32% from higher volumes in all customer classes. Net position decreased 14.92% from the prior year due to implementation of GASB statement 75.

The Water System's total Net Position decreased by \$3.90 million for the fiscal year ended September 30, 2018. The analysis below focuses on the System's Net Position (Table 3A) and changes in Net Position (Table 3B) during the year.

Table 3A  
**WATER SYSTEM**

			Increase (Decrease)	
	September 30, 2018	September 30, 2017	\$	%
Current assets	\$ 6,634,434	\$ 6,392,677	\$ 241,757	3.78%
Restricted assets	8,428,909	8,399,346	29,563	0.35%
Capital assets	71,478,591	71,114,595	363,996	0.51%
Other assets	13,091	17,054	(3,963)	-23.24%
Total assets	<u>86,555,024</u>	<u>85,923,672</u>	<u>631,352</u>	0.73%
Deferred outflows of resources	<u>544,806</u>	<u>620,851</u>	<u>(76,045)</u>	-12.25%
Current liabilities	859,203	1,467,385	(608,182)	-41.45%
Liabilities payable from restricted assets	2,401,372	2,955,197	(553,825)	-18.74%
Long term liabilities	26,340,535	21,705,837	4,634,698	21.35%
Other liabilities	995,370	300,237	695,133	231.53%
Total liabilities	<u>30,596,480</u>	<u>26,428,656</u>	<u>4,167,824</u>	15.77%
Deferred inflows of resources	<u>460,830</u>	<u>182,761</u>	<u>278,069</u>	152.15%
Net investment in capital assets	56,481,221	54,058,596	2,422,625	4.48%
Restricted	8,242,537	8,179,149	63,388	0.77%
Unrestricted	(8,681,238)	(2,304,639)	(6,376,599)	-276.69%
Total net position	<u>\$ 56,042,521</u>	<u>\$ 59,933,106</u>	<u>\$ (3,890,586)</u>	-6.49%

The most significant changes from fiscal year 2017 to 2018 were in long term liabilities due to increases in Postemployment benefits from the current year implementation of GASB statement 75. Postemployment benefits other than pensions (OPEB) increased by \$7.60 million with \$7.35 million from prior period adjustments.

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, 2018.

Table 3B  
**WATER SYSTEM**

			Increase (Decrease)	
	September 30, 2018	September 30, 2017	\$	%
Operating revenues	\$ 15,510,793	\$ 15,875,358	\$ (364,565)	-2.30%
Treatment expense	4,529,640	4,806,322	(276,682)	-5.76%
Gross margin	10,981,153	11,069,036	(87,883)	-0.79%
Other operating expenses	7,028,947	7,169,039	(140,092)	-1.95%
Operating income	3,952,205	3,899,997	52,208	1.34%
Other revenue (expenses)	(417,532)	(646,590)	(229,058)	-35.43%
Income before transfers	3,534,673	3,253,408	281,265	8.65%
Transfer to Decatur general fund	(601,339)	(617,616)	(16,277)	-2.64%
Aid in construction	529,487	999,908	(470,421)	-47.05%
Change in net position	3,462,821	3,635,700	(172,879)	-4.76%
Net position - beginning	59,933,106	56,297,406	3,635,700	6.46%
Restatement of net position	(7,353,406)	-	(7,353,406)	100.00%
Net position - beginning (restated)	52,579,700	56,297,406	(3,717,706)	-6.60%
Net position - ending	\$ 56,042,521	\$ 59,933,106	\$ (3,890,585)	-6.49%

From fiscal year 2017 to 2018, operating revenues decreased 2.30% as a result of volumetric decreases coming from all customer classes except commercial. Other revenue (expenses) increased due to higher interest income and lower interest expense. Net position decreased 6.49% from the prior year due to implementation of GASB statement 75.

The Wastewater System's total Net Position increased by \$8.55 million for the fiscal year ended September 30, 2018. The analysis below focuses on the System's Net Position (Table 4A) and changes in Net Position (Table 4B) during the year.

Table 4A  
**WASTEWATER SYSTEM**

			Increase (Decrease)	
	September 30, 2018	September 30, 2017	\$	%
Current assets	\$ 17,374,843	\$ 19,786,721	\$ (2,411,878)	-12.19%
Restricted assets	9,187,324	10,873,405	(1,686,081)	-15.51%
Capital assets	128,646,460	112,398,375	16,248,085	14.46%
Other assets	38,748	419,844	(381,096)	-90.77%
Total assets	<u>155,247,375</u>	<u>143,478,345</u>	<u>11,769,030</u>	8.20%
Deferred outflows of resources	<u>380,578</u>	<u>530,167</u>	<u>(149,589)</u>	-28.22%
Current liabilities	1,736,646	1,625,426	111,220	6.84%
Liabilities payable from				
restricted assets	3,369,622	3,284,602	85,020	2.59%
Long term liabilities	47,974,046	45,362,875	2,611,171	5.76%
Other liabilities	<u>3,308</u>	<u>3,565</u>	<u>(258)</u>	-7.21%
Total liabilities	<u>53,083,621</u>	<u>50,276,468</u>	<u>2,807,153</u>	5.58%
Deferred inflows of resources	<u>397,055</u>	<u>134,132</u>	<u>262,923</u>	196.02%
Net investment in capital assets	88,237,438	68,935,115	19,302,323	28.00%
Restricted	8,972,702	10,643,803	(1,671,101)	-15.70%
Unrestricted	<u>4,937,138</u>	<u>14,018,993</u>	<u>(9,081,855)</u>	-64.78%
Total net position	<u>\$ 102,147,277</u>	<u>\$ 93,597,911</u>	<u>\$ 8,549,366</u>	9.13%

The most significant changes from fiscal year 2017 to 2018 were in capital assets, net investment in capital assets, and unrestricted net position. The change in restricted capital assets and net investment in capital assets was primarily due to major capital projects funded by the 2013 series wastewater warrants. The change in unrestricted net position was due to implementation of GASB statement 75.

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, 2018.

Table 4B  
**WASTEWATER SYSTEM**

			Increase (Decrease)	
	September 30, 2018	September 30, 2017	\$	%
Operating revenues	\$ 17,611,859	\$ 17,267,097	\$ 344,762	2.00%
Treatment expense	3,316,695	3,259,454	57,241	1.76%
Gross margin	14,295,164.26	14,007,642	287,522	2.05%
Other operating expenses	7,580,760	7,011,541	569,219	8.12%
Operating income	6,714,403.66	6,996,102	(281,698)	-4.03%
Other revenue (expenses)	(900,311)	(1,316,355)	(416,044)	-31.61%
Income before transfers	5,814,093	5,679,746	134,347	2.37%
Transfer to Decatur general fund	(850,884)	(823,166)	27,718	3.37%
Aid in construction	9,585,858	185,600	9,400,258	5064.79%
Change in net position	14,549,067	5,042,181	9,506,886	188.55%
Net position - beginning	93,597,911	88,555,730	5,042,181	5.69%
Restatement of net position	(5,999,701)	-	(5,999,701)	-100.00%
Net position - beginning (restated)	87,598,210	88,555,730	(957,520)	-1.08%
Net position - ending	\$ 102,147,277	\$ 93,597,911	\$ 8,549,366	9.13%

From fiscal year 2017 to 2018, operating revenues increased 2.00% due to increased Industrial volumes and surcharges. Aid in construction was significantly higher than 2018 due to City of Decatur Beltline extension project. Net position increased 9.13% 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, 2018. The analysis below focuses on the System's Net Position (Table 5A).

Table 5A  
**ADMINISTRATIVE**

	<b>CONDENSED STATEMENT OF NET POSITION</b>			
	September 30, 2018	September 30, 2017	Increase (Decrease)	
			\$	%
Current assets	\$ 6,954,033	\$ 6,498,858	\$ 455,175	7.00%
Restricted assets	364,307	216,054	148,253	68.62%
Capital assets	2,281,736	2,479,484	(197,748)	-7.98%
Total assets	<u>9,600,076</u>	<u>9,194,396</u>	<u>405,680</u>	<u>4.41%</u>
Current liabilities	5,176,295	4,945,026	231,269	4.68%
Long term liabilities	522,346	494,033	28,313	5.73%
Other liabilities	348,499	202,400	146,099	72.18%
Total liabilities	<u>6,047,140</u>	<u>5,641,459</u>	<u>405,681</u>	<u>7.19%</u>
Investment in capital assets	2,281,736	2,479,484	(197,748)	-7.98%
Restricted	364,307	216,054	148,253	68.62%
Unrestricted	906,893	857,398	49,495	5.77%
Total net position	<u>\$ 3,552,936</u>	<u>\$ 3,552,936</u>	<u>\$ -</u>	<u>0.00%</u>

The most significant changes from fiscal year 2017 to 2018 were in current assets, restricted assets and current liabilities. Current assets increased primarily due to increases in cash and cash equivalents. Restricted assets increased due to growth in the sewer enhancement fund. Current liabilities increased primarily due to increases in accounts payable.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of fiscal year 2018, the Utility had \$270 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 \$20.84 million or 8.37% 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, 2018 and 2017. These changes are presented in detail in Note 3D to the financial statements.

Table 1C  
**CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION**

			Increase (Decrease)	
	September 30, 2018	September 30, 2017	\$	%
<b>Electric System</b>				
Land	\$ 715,373	\$ 723,496	\$ (8,123)	-1.12%
Utility plant	84,267,684	82,191,801	2,075,883	2.53%
Construction in progress	4,480,493	1,320,088	3,160,405	239.41%
Less: Accumulated depreciation	<u>(43,173,702)</u>	<u>(41,833,988)</u>	<u>1,339,714</u>	<u>3.20%</u>
Net electric plant	<u>46,289,848</u>	<u>42,401,397</u>	<u>3,888,451</u>	<u>9.17%</u>
<b>Gas System</b>				
Land	124,816	124,816	-	0.00%
Utility plant	38,446,941	36,544,122	1,902,819	5.21%
Construction in progress	644,969	1,163,049	(518,080)	-44.54%
Less: Accumulated depreciation	<u>(18,121,514)</u>	<u>(17,272,294)</u>	<u>849,220</u>	<u>4.92%</u>
Net gas plant	<u>21,095,212</u>	<u>20,559,693</u>	<u>535,519</u>	<u>2.60%</u>
<b>Water System</b>				
Land	483,281	483,281	-	0.00%
Utility plant	125,815,040	122,022,336	3,792,704	3.11%
Construction in progress	1,212,877	2,254,597	(1,041,720)	-46.21%
Less: Accumulated depreciation	<u>(56,032,607)</u>	<u>(53,645,619)</u>	<u>2,386,988</u>	<u>4.45%</u>
Net water plant	<u>71,478,591</u>	<u>71,114,595</u>	<u>363,996</u>	<u>0.51%</u>
<b>Wastewater System</b>				
Land	1,678,323	1,578,323	100,000	6.34%
Utility plant	173,073,603	150,983,702	22,089,901	14.63%
Construction in progress	9,641,303	12,066,817	(2,425,514)	-20.10%
Less: Accumulated depreciation	<u>(55,746,769)</u>	<u>(52,230,467)</u>	<u>3,516,302</u>	<u>6.73%</u>
Net wastewater plant	<u>128,646,460</u>	<u>112,398,375</u>	<u>16,248,085</u>	<u>14.46%</u>
<b>Administrative System</b>				
Land	71,407	71,407	-	0.00%
Buildings	6,306,124	6,244,395	61,729	0.99%
Construction in progress	154,299	199,811	(45,512)	-22.78%
Less: Accumulated depreciation	<u>(4,250,094)</u>	<u>(4,036,129)</u>	<u>213,965</u>	<u>5.30%</u>
Net administration system	<u>\$ 2,281,736</u>	<u>\$ 2,479,484</u>	<u>\$ (197,748)</u>	<u>-7.98%</u>

### Debt Administration

The Utility has outstanding debt payable of \$55 million as of September 30, 2018. Principal payments are due in the upcoming fiscal year in the amount of \$5 million with interest payments totaling approximately \$2 million also due. Details relating to the debt can be found in Note 3E to the financial statements. The Utility also has no current plans to issue new debt.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

## **CONTACTING THE BOARD'S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**

**MUNICIPAL UTILITIES BOARD OF DECATUR**  
**STATEMENT OF NET POSITION**  
September 30, 2018

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>	<u>(Memo Only) Total</u>
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 14,525,218	\$ 4,828,607	\$ 4,638,056	\$ 16,124,142	\$ 6,187,672	\$ 46,303,695
Receivables						
Accounts (net of allowance)	8,488,607	733,230	1,114,018	1,168,920	676,086	12,180,861
Other accounts receivable	105,996	10,193	7,520	4,587	20,529	148,823
City of Decatur	373,731	129,875	489,103	22,961	11,445	1,027,115
Stored natural gas	-	153,383	-	-	-	153,383
Materials and supplies	1,284,295	147,862	376,068	49,668	-	1,857,892
Accrued utility revenue	3,952,361	-	-	-	-	3,952,361
Other current assets	6,265	42,216	9,669	4,565	58,301	121,016
Total current assets	<u>28,736,473</u>	<u>6,045,366</u>	<u>6,634,434</u>	<u>17,374,843</u>	<u>6,954,033</u>	<u>65,745,149</u>
<b>Noncurrent assets</b>						
Restricted cash and equivalents	<u>3,693,132</u>	<u>2,331,175</u>	<u>8,428,909</u>	<u>9,187,324</u>	<u>364,307</u>	<u>24,004,847</u>
<b>Capital assets, not being depreciated</b>						
Land	715,373	124,816	483,281	1,678,323	71,407	3,073,200
Work in process	4,480,493	644,969	1,212,877	9,641,303	154,299	16,133,941
<b>Capital assets, net of accumulated depreciation</b>						
Utility plant	<u>41,093,982</u>	<u>20,325,427</u>	<u>69,782,433</u>	<u>117,326,834</u>	<u>2,056,030</u>	<u>250,584,706</u>
Total capital assets	<u>46,289,848</u>	<u>21,095,212</u>	<u>71,478,591</u>	<u>128,646,460</u>	<u>2,281,736</u>	<u>269,791,847</u>
<b>Other assets</b>						
Energy service loans receivable	3,119,280	-	-	-	-	3,119,280
Other unearned credits	-	55,890	-	-	-	55,890
Other charges receivable	-	3,798	13,091	38,748	-	55,637
Total other assets	<u>3,119,280</u>	<u>59,688</u>	<u>13,091</u>	<u>38,748</u>	<u>-</u>	<u>3,230,807</u>
<b>Total assets</b>	<b><u>81,838,733</u></b>	<b><u>29,531,441</u></b>	<b><u>86,555,025</u></b>	<b><u>155,247,375</u></b>	<b><u>9,600,076</u></b>	<b><u>362,772,650</u></b>
<b>Deferred outflows of resources</b>						
Related to Pensions	868,032	264,699	527,839	368,334	-	2,028,904
Related to OPEB	27,887	8,667	16,967	12,244	-	65,765
<b>Total deferred outflows of resources</b>	<b><u>895,919</u></b>	<b><u>273,366</u></b>	<b><u>544,806</u></b>	<b><u>380,578</u></b>	<b><u>-</u></b>	<b><u>2,094,669</u></b>
<b>Combined assets and deferred outflows of resources</b>	<b><u>\$ 82,734,652</u></b>	<b><u>\$ 29,804,807</u></b>	<b><u>\$ 87,099,831</u></b>	<b><u>\$ 155,627,953</u></b>	<b><u>\$ 9,600,076</u></b>	<b><u>\$ 364,867,319</u></b>

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

**MUNICIPAL UTILITIES BOARD OF DECATUR**  
**STATEMENT OF NET POSITION**  
September 30, 2018

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>	<u>(Memo Only) Total</u>
<b>Liabilities</b>						
Current liabilities						
Accounts payable	\$ 11,989,007	\$ 752,217	\$ 383,833	\$ 1,311,767	\$ 728,441	\$ 15,165,265
Due to City of Decatur general fund	-	179,312	58,012	79,991	362,460	679,775
Accrued payroll and other expense	634,793	241,379	417,358	344,888	73,917	1,712,335
Customer deposits	-	-	-	-	4,011,476	4,011,476
<b>Total current liabilities</b>	<u>12,623,799</u>	<u>1,172,908</u>	<u>859,203</u>	<u>1,736,646</u>	<u>5,176,295</u>	<u>21,568,851</u>
Liabilities payable from restricted assets						
Current maturities of revenue warrants	-	-	2,215,000	3,155,000	-	5,370,000
Interest payable	-	-	186,372	214,622	-	400,994
<b>Total liabilities payable from restricted assets</b>	<u>-</u>	<u>-</u>	<u>2,401,372</u>	<u>3,369,622</u>	<u>-</u>	<u>5,770,994</u>
Noncurrent liabilities						
Long term debt payable, net of costs	-	-	12,782,370	37,254,022	-	50,036,392
Compensated absences	199,839	-	108,840	79,488	522,346	910,513
Energy service loans payable	3,119,280	-	-	-	-	3,119,280
Postemployment benefits	13,484,830	4,809,941	9,233,001	7,493,065	-	35,020,837
Net pension liability	6,555,734	2,374,217	4,216,324	3,147,471	-	16,293,746
Other unearned credits	148,243	1,661,382	995,370	3,308	348,499	3,156,802
<b>Total noncurrent liabilities</b>	<u>23,507,926</u>	<u>8,845,540</u>	<u>27,335,905</u>	<u>47,977,354</u>	<u>870,845</u>	<u>108,537,570</u>
<b>Total liabilities</b>	<u>36,131,725</u>	<u>10,018,448</u>	<u>30,596,480</u>	<u>53,083,621</u>	<u>6,047,140</u>	<u>135,877,414</u>
<b>Deferred inflows of resources</b>						
Related to pensions	782,310	239,787	460,830	397,055	-	1,879,982
<b>Combined liabilities and deferred inflows of resources</b>	<u>36,914,035</u>	<u>10,258,235</u>	<u>31,057,310</u>	<u>53,480,676</u>	<u>6,047,140</u>	<u>137,757,396</u>
<b>Net position</b>						
Net investment in capital assets	46,289,848	21,095,212	56,481,221	88,237,438	2,281,736	214,385,455
Restricted	3,693,132	2,331,175	8,242,537	8,972,702	364,307	23,603,852
Unrestricted (deficit)	(4,162,363)	(3,879,815)	(8,681,238)	4,937,138	906,893	(10,879,385)
<b>Total net position</b>	<u>\$ 45,820,617</u>	<u>\$ 19,546,572</u>	<u>\$ 56,042,521</u>	<u>\$ 102,147,277</u>	<u>\$ 3,552,936</u>	<u>\$ 227,109,923</u>
<b>Total liabilities and net position</b>	<u>\$ 82,734,652</u>	<u>\$ 29,804,807</u>	<u>\$ 87,099,831</u>	<u>\$ 155,627,953</u>	<u>\$ 9,600,076</u>	<u>\$ 364,867,319</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, 2018

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>	<u>(Memo Only) Total</u>
<b>Operating revenues</b>						
Charges for sales and services (net of adjustments and allowances)	\$ 95,911,774	\$ 15,066,892	\$ 14,410,440	\$ 16,036,601	\$ -	\$ 141,425,706
Other revenue	<u>1,094,852</u>	<u>170,158</u>	<u>1,100,353</u>	<u>1,575,258</u>	<u>-</u>	<u>3,940,621</u>
Total operating revenues	<u>97,006,626</u>	<u>15,237,050</u>	<u>15,510,793</u>	<u>17,611,859</u>	<u>-</u>	<u>145,366,327</u>
<b>Operating expenses</b>						
Costs of sales and services	82,311,528	10,908,578	4,529,640	3,316,695	-	101,066,442
Operations expenses	1,574,762	807,512	774,563	1,143,659	-	4,300,496
Maintenance expenses	2,224,059	374,170	370,974	378,072	-	3,347,275
Customer service expenses	740,765	336,322	611,152	288,132	-	1,976,371
Administrative expenses	3,196,742	1,330,476	2,173,117	1,776,698	-	8,477,033
Depreciation expense	<u>2,578,158</u>	<u>898,415</u>	<u>3,099,141</u>	<u>3,994,199</u>	<u>-</u>	<u>10,569,913</u>
Total operating expenses	<u>92,626,014</u>	<u>14,655,473</u>	<u>11,558,587</u>	<u>10,897,455</u>	<u>-</u>	<u>129,737,529</u>
Operating income (loss)	<u>4,380,612</u>	<u>581,577</u>	<u>3,952,205</u>	<u>6,714,404</u>	<u>-</u>	<u>15,628,798</u>
<b>Non-operating revenues (expenses)</b>						
Interest income	409,062	132,106	228,800	463,270	-	1,233,239
Other non-operating revenue	14	-	-	-	-	14
Amortization expense	-	-	(76,371)	(762)	-	(77,133)
Interest expense	(2,013)	(681)	(569,962)	(1,362,819)	-	(1,935,475)
Miscellaneous income deduction	2,781	-	-	-	-	2,781
Gain (loss) on sale	<u>8,974</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,974</u>
Total non-operating revenues (expenses)	<u>418,818</u>	<u>131,425</u>	<u>(417,532)</u>	<u>(900,311)</u>	<u>-</u>	<u>(767,600)</u>
Income (loss) before transfers and contributions	<u>\$ 4,799,430</u>	<u>\$ 713,001</u>	<u>\$ 3,534,673</u>	<u>\$ 5,814,093</u>	<u>\$ -</u>	<u>\$ 14,861,198</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, 2018

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>	<u>(Memo Only) Total</u>
Transfers and capital contributions						
Transfers to City of Decatur - in lieu of taxes	\$ (1,736,521)	\$ (356,501)	\$ (601,339)	\$ (850,884)	\$ -	\$ (3,545,245)
Income (loss) before contributions	<u>3,062,909</u>	<u>356,501</u>	<u>2,933,334</u>	<u>4,963,209</u>	<u>-</u>	<u>11,315,953</u>
Capital contributions	<u>-</u>	<u>48,817</u>	<u>529,487</u>	<u>9,585,858</u>	<u>-</u>	<u>10,164,162</u>
<b>Change in net position</b>	<b><u>3,062,909</u></b>	<b><u>405,318</u></b>	<b><u>3,462,821</u></b>	<b><u>14,549,067</u></b>	<b><u>-</u></b>	<b><u>21,480,115</u></b>
Total net position - beginning	53,432,164	22,975,635	59,933,106	93,597,911	3,552,936	233,491,752
Restatement due to GASB 75	<u>(10,674,456)</u>	<u>(3,834,381)</u>	<u>(7,353,406)</u>	<u>(5,999,701)</u>	<u>-</u>	<u>(27,861,944)</u>
Total net position - beginning (restated)	<u>42,757,708</u>	<u>19,141,254</u>	<u>52,579,700</u>	<u>87,598,210</u>	<u>3,552,936</u>	<u>205,629,808</u>
Total net position - ending	<u>\$ 45,820,617</u>	<u>\$ 19,546,572</u>	<u>\$ 56,042,521</u>	<u>\$ 102,147,277</u>	<u>\$ 3,552,936</u>	<u>\$ 227,109,923</u>

*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, 2018

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>	<u>(Memo Only) Totals</u>
Cash flows from operating activities:						
Cash received from consumers	\$ 94,143,283	\$ 15,612,415	\$ 15,972,793	\$ 17,654,589	\$ -	\$ 143,383,080
Cash paid to suppliers for goods and services	(87,169,061)	(9,544,810)	(3,994,464)	(3,243,514)	489,078	(103,462,771)
Cash paid to employees for services	(6,056,358)	(2,203,593)	(4,069,756)	(3,247,895)	-	(15,577,602)
Net change in energy service loans payable	512,877	-	-	-	-	512,877
Net change in energy service loans receivable	(512,877)	-	-	-	-	(512,877)
Interest paid on customer deposits	-	-	-	-	3,098	3,098
Net change in customer deposits	-	-	-	-	124,507	124,507
Net cash provided (used) by operating activities	<u>917,863</u>	<u>3,864,011</u>	<u>7,908,573</u>	<u>11,163,181</u>	<u>616,684</u>	<u>24,470,310</u>
Cash flows from non-capital related financing activities:						
Advances between funds	-	-	(1,000,000)	1,000,000	-	-
Operating transfer out - City of Decatur & tax equivalents	<u>(1,736,521)</u>	<u>(356,501)</u>	<u>(601,339)</u>	<u>(850,884)</u>	<u>-</u>	<u>(3,545,245)</u>
Net cash provided (used) by non-capital financing activities	<u>(1,736,521)</u>	<u>(356,501)</u>	<u>(1,601,339)</u>	<u>149,116</u>	<u>-</u>	<u>(3,545,245)</u>
Cash flows from capital and related financing activities:						
Construction and acquisition of capital assets	(6,674,546)	(1,481,188)	(3,505,499)	(20,333,266)	(36,539)	(32,031,038)
Capital contributed by customers	-	48,817	529,486	9,585,858	-	10,164,161
Principal paid on debt	-	-	(2,135,000)	(3,055,000)	-	(5,190,000)
Interest paid on debt	<u>(2,013)</u>	<u>(681)</u>	<u>(603,787)</u>	<u>(1,377,799)</u>	<u>-</u>	<u>(1,984,280)</u>
Net cash provided (used) by capital and related financing activities	<u>(6,676,559)</u>	<u>(1,433,053)</u>	<u>(5,714,800)</u>	<u>(15,180,207)</u>	<u>(36,539)</u>	<u>(29,041,157)</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, 2018

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>	<b>(Memo Only)</b> <u>Totals</u>
Cash flows from investing activities:						
Decrease (increase) in restricted assets	(750,989)	(1,255,427)	(29,563)	1,686,081	(148,253)	(498,151)
Income (expense) from other non-operating revenue	11,770	-	-	-	-	11,770
Interest received	<u>409,062</u>	<u>132,106</u>	<u>228,800</u>	<u>463,270</u>	<u>-</u>	<u>1,233,238</u>
Net cash provided (used) by investing activities	<u>(330,157)</u>	<u>(1,123,321)</u>	<u>199,238</u>	<u>2,149,351</u>	<u>(148,253)</u>	<u>746,858</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(7,825,374)</b>	<b>951,137</b>	<b>791,672</b>	<b>(1,718,559)</b>	<b>431,891</b>	<b>(7,369,234)</b>
Cash and cash equivalents - beginning	<u>22,350,592</u>	<u>3,877,470</u>	<u>3,846,384</u>	<u>17,842,701</u>	<u>5,755,782</u>	<u>53,672,929</u>
Cash and cash equivalents - ending	<u>\$ 14,525,218</u>	<u>\$ 4,828,607</u>	<u>\$ 4,638,056</u>	<u>\$ 16,124,142</u>	<u>\$ 6,187,673</u>	<u>\$ 46,303,696</u>
Cash and cash equivalents						
Unrestricted cash and cash equivalent	<u>14,525,218</u>	<u>4,828,607</u>	<u>4,638,056</u>	<u>16,124,142</u>	<u>6,187,672</u>	<u>46,303,695</u>
<b>Total cash and cash equivalents</b>	<b><u>\$ 14,525,218</u></b>	<b><u>\$ 4,828,607</u></b>	<b><u>\$ 4,638,056</u></b>	<b><u>\$ 16,124,142</u></b>	<b><u>\$ 6,187,672</u></b>	<b><u>\$ 46,303,695</u></b>

*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, 2018

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>	<u>(Memo Only) Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ 4,380,612	\$ 581,577	\$ 3,952,205	\$ 6,714,404	\$ -	\$ 15,628,798
Adjustments to reconcile operating income to net cash provide by operating activities						
Depreciation expense	2,786,094	945,669	3,141,503	4,085,180	234,288	11,192,735
Pension contributions in excess of actuarially determined pension expense	(100,080)	(38,766)	(67,888)	9,697	-	(197,037)
OPEB contributions in excess of actuarially determined OPEB expense	359,327	95,709	229,926	177,731	-	862,693
Changes in assets and liabilities:						
Receivables	(901,923)	375,364	462,000	42,730	(60,290)	(82,119)
Due from City	(21,813)	(4,290)	10,519	18,295	10,050	12,761
Unbilled revenues	(1,961,407)	-	-	-	-	(1,961,407)
Materials and supplies	(206,212)	116,807	(21,039)	(14,169)	-	(124,613)
Energy service loans receivable	(512,877)	-	-	-	-	(512,877)
Energy service loans payable	512,877	-	-	-	-	512,877
Other current assets (prepaid)	109,751	454,251	98,435	46,464	26,955	735,856
Other charges	1,406	1,735	3,963	(18,904)	-	(11,800)
Accounts payable and other accruals	(3,228,225)	(229,737)	(548,198)	115,837	428,882	(3,461,441)
Due to City	(183,632)	179,281	(47,988)	(13,826)	(296,087)	(362,252)
Customer deposits	-	-	-	-	126,786	126,786
Other credits	(116,034)	1,386,413	695,134	(258)	146,099	2,111,354
Net cash provided (used) by operating activities	<u>\$ 917,863</u>	<u>\$ 3,864,011</u>	<u>\$ 7,908,573</u>	<u>\$ 11,163,181</u>	<u>\$ 616,683</u>	<u>\$ 24,470,310</u>

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

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

September 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

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

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

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

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

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

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

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

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

September 30, 2018

**C. Pensions**

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

**D. Assets, Liabilities, and Net Position**

**Revenue Recognition**

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

**Deposits and investments**

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

**Receivables and payables**

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

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

**Materials and Supplies**

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

**Other Current Assets**

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

**Stored Natural Gas**

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

**Restricted assets**

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

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

September 30, 2018

**Use of Estimates**

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

**Capital Contributions - Aid in Construction**

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

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

**Capital assets**

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

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

**Compensated absences**

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

**Long-term obligations**

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

**MUNICIPAL UTILITIES BOARD OF DECATUR**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2018

**Net Position Flow Assumption**

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

**Net Position**

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

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

**Other Post-Employment Benefits**

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

**Memo Totals**

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

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

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

**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

**A. Custodial credit risk**

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

September 30, 2018

Decatur Utilities pools cash bank deposits for all systems. At fiscal year end, the carrying amount of book balance was \$70,308,543. The bank balances were \$70,393,999, including restricted cash in the Improvement Fund and the Replacement and Extension Fund. Of the bank balances, \$500,000 was covered by federal depository insurance. The remaining balance was covered by the State of Alabama through the Security for Alabama Funds Enhancement Act (SAFE) program.

The Series 2009 and 2013 Water System, and Series 2009 and 2012 SRF/ARRA Water System US Treasury Obligation Funds listed in Note 3E were held by Decatur Utilities' financial institutions' trust department or agent in Decatur Utilities' name as restricted assets for the bond indentures. At year-end the investments' carrying amounts are stated at their approximate fair value. The Funds are invested in US Treasury Obligations and are secured by trust agreements associated with the bond issues.

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

**B. Receivables**

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

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>
Customer accounts receivable	\$ 8,663,325	\$ 803,841	\$ 1,140,308	\$ 1,200,400	\$ 676,086
Allowance	(174,718)	(70,611)	(26,290)	(31,480)	-
Net accounts receivable	<u>\$ 8,488,607</u>	<u>\$ 733,230</u>	<u>\$ 1,114,018</u>	<u>\$ 1,168,920</u>	<u>\$ 676,086</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 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



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

September 30, 2018

written consent by resolution of the other. The balance in the Sewer Enhancement Fund at September 30, 2018 is \$359,307.

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	\$ 373,731	\$ -
Gas	129,875	179,312
Water	489,103	58,012
Sewer	22,961	79,991
Administrative (Garbage)	11,445	362,460
Total	\$ 1,027,115	\$ 679,775

**D. Capital Assets**

Capital asset activity for the year ended September 30, 2018, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Electric System</b>				
Land	\$ 723,496	\$ -	\$ (8,123)	\$ 715,373
Utility Plant	82,191,801	3,178,691	(1,102,807)	84,267,684
Construction in progress	1,320,088	18,196,684	(15,036,279)	4,480,493
Less: Accumulated depreciation	(41,833,988)	(2,910,944)	1,571,230	(43,173,702)
Net Electric Plant	\$ 42,401,397	\$ 18,464,431	\$ (14,575,979)	\$ 46,289,848
<b>Gas System</b>				
Land	\$ 124,816	\$ -	\$ -	\$ 124,816
Utility Plant	36,544,122	1,999,771	(96,952)	38,446,941
Construction in progress	1,163,049	3,862,639	(4,380,719)	644,969
Less: Accumulated depreciation	(17,272,294)	(948,413)	99,194	(18,121,514)
Net Gas Plant	\$ 20,559,693	\$ 4,913,997	\$ (4,378,477)	\$ 21,095,212
<b>Water System</b>				
Land	\$ 483,281	\$ -	\$ -	\$ 483,281
Utility Plant	122,022,336	4,549,274	(756,569)	125,815,040
Construction in progress	2,254,597	9,833,251	(10,874,972)	1,212,877
Less: Accumulated depreciation	(53,645,619)	(3,141,503)	754,516	(56,032,607)
Net Water Plant	\$ 71,114,595	\$ 11,241,022	\$ (10,877,025)	\$ 71,478,591
<b>Wastewater System</b>				
Land	\$ 1,578,323	\$ 100,000	\$ -	\$ 1,678,323
Utility Plant	150,983,702	22,633,601	(543,701)	173,073,604
Construction in progress	12,066,817	35,002,990	(37,428,505)	9,641,303
Less: Accumulated depreciation	(52,230,467)	(4,085,180)	568,879	(55,746,769)
Net Wastewater Plant	\$ 112,398,375	\$ 53,651,411	\$ (37,403,327)	\$ 128,646,461

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

September 30, 2018

**Administrative System**

Land	\$ 71,407	\$ -	\$ -	\$ 71,407
Buildings	6,244,395	82,052	(20,323)	6,306,124
Construction in progress	199,811	550,360	(595,872)	154,299
Less: Accumulated depreciation	(4,036,129)	(234,288)	20,323	(4,250,094)
Net Administration Plant	<u>\$ 2,479,484</u>	<u>\$ 398,124</u>	<u>\$ (595,872)</u>	<u>\$ 2,281,736</u>

Depreciation expense amounted to \$10,569,913 charged to operations and \$622,821 charged to other operating accounts and construction in progress in 2018.

Reconciliation of depreciation expense with cash flow information:

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>
Depreciation expense per Statement of Revenues, Expenses and Changes in Net Position	<u>\$2,578,158</u>	<u>\$898,415</u>	<u>\$3,099,141</u>	<u>\$ 3,994,199</u>	<u>\$ -</u>
Depreciation allocated to other operating accounts and construction in progress	<u>207,936</u>	<u>47,254</u>	<u>42,362</u>	<u>90,981</u>	<u>234,288</u>
Depreciation expense per the Statement of Cash Flows	<u>\$2,786,094</u>	<u>\$945,669</u>	<u>\$3,141,503</u>	<u>\$ 4,085,180</u>	<u>\$ 234,288</u>

**E. Long-term Debt**

**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 2009 bonds were issued in the amount of \$17,915,000. The 2013 bonds were issued at \$10,410,000. Total bonds outstanding at September 30, 2018 were \$12,460,000 at interest rates ranging from 2.0% to 4.0%. The bonds are expected to mature in 2019 and 2033. The System's unamortized debt expense at September 30, 2018 was \$187,630.

The Alabama Drinking Water Finance Authority (the "Authority") loaned to the Water System \$7,367,402 with funds made available to the Authority by the American Recovery and Reinvestment Act (the "ARRA"). Of this amount, \$3,662,402 was previously forgiven pursuant to the ARRA and recorded as capital contributions on the Statement of Revenues, Expenses, and Changes in Net Position. The Authority required that Decatur Utilities issue a water warrant in the amount of the loan less the ARRA forgiveness portion. The 2009 Series SRF Water Warrants were issued in the amount of \$3,215,000. The 2012 Series SRF Water Warrants were issued in the amount of \$490,000. Total bonds outstanding at September 30, 2018 were \$2,725,000. The bonds are expected to mature in 2031 and 2033.

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

September 30, 2018

	10/1/2017	Additions	Principal Payments	9/30/2018	Current
Water Series 2009	4,025,000	-	1,975,000	2,050,000	2,050,000
Water Series 2009/SRF	2,475,000	-	140,000	2,335,000	145,000
Water Series 2012/SRF	410,000	-	20,000	390,000	20,000
Water Series 2013	10,410,000	-	-	10,410,000	-
Unamortized debt expense	(264,001)	-	76,371	(187,630)	-
<b>Total</b>	<u>17,055,999</u>	<u>-</u>	<u>2,211,371</u>	<u>14,997,370</u>	<u>2,215,000</u>

**Wastewater System Debt**

Decatur Utilities and the City issues revenue bonds primarily to finance improvements to the Wastewater System. The bonds are being repaid from revenues derived by Decatur Utilities from the operation of the System after payment of the reasonable and necessary expenses of maintaining the operating system. The 2010 bonds were issued at \$10,020,000. The 2013 bonds were issued at \$37,125,000. Total bonds outstanding from Series 2010 and 2013 issues at September 30, 2018 were \$31,930,000 at interest rates ranging from 2.00% to 3.95%. The bonds are expected to mature in 2020 and 2033. The System's unamortized debt expense at September 30, 2018 was \$22,942. The System's unamortized debt premium at September 30, 2018 was \$(166,964).

The Alabama Water Pollution Control Authority (the "Authority") loaned to the Wastewater System \$15,665,364, with funds made available to the Authority by the American Recovery and Reinvestment Act (the "ARRA"). Of this amount, \$5,135,364 was previously forgiven pursuant to the ARRA and recorded as capital contributions on the Statement of Revenues, Expenses, and Changes in Net Position. The Authority required that Decatur Utilities issue a sewer warrant in the amount of the loan less the ARRA forgiveness portion. The 2009 Series SRF/ARRA Wastewater Warrants were issued in the amount of \$10,530,000. Total bonds outstanding at September 30, 2018 were \$7,650,000. The bonds are expected to mature in 2031.

The Alabama Water Pollution Control Authority (the "Authority") loaned to the Wastewater System \$955,000, with funds made available to the Authority. Of this amount, \$100,000 was previously forgiven and recorded as capital contributions on the Statement of Revenues, Expenses, and Changes in Net Position. The Authority required that Decatur Utilities issue a sewer warrant in the amount of the loan less the forgiveness portion. The 2012 Series SRF Wastewater Warrants were issued in the amount of \$855,000. Total bonds outstanding at September 30, 2018 were \$685,000. The bonds are expected to mature in 2033.

	10/1/2017	Additions	Principal Payments	9/30/2018	Current
<b>Bonds:</b>					
Wastewater Series 2009/SRF	8,105,000	-	455,000	7,650,000	470,000
Wastewater Series 2010	3,165,000	-	1,015,000	2,150,000	1,055,000
Wastewater Series 2012/SRF	720,000	-	35,000	685,000	35,000
Wastewater Series 2013	31,330,000	-	1,550,000	29,780,000	1,595,000
Unamortized debt expense	143,260	-	(762)	144,022	-
<b>Total</b>	<u>43,463,260</u>	<u>-</u>	<u>3,054,238</u>	<u>40,409,022</u>	<u>3,155,000</u>

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

September 30, 2018

Future maturities of debt across all systems are as follows;

Year ending September 30,	Principal	Interest	Total
2019	\$ 5,370,000	\$ 1,790,497	\$ 7,160,497
2020	4,045,000	1,610,074	5,655,074
2021	3,045,000	1,489,944	4,534,944
2022	3,140,000	1,395,457	4,535,457
2023	3,235,000	1,297,994	4,532,994
2024-2028	17,755,000	4,918,335	22,673,335
2029-2033	18,860,000	1,882,832	20,742,832
	<u>\$55,450,000</u>	<u>\$ 14,385,133</u>	<u>\$ 69,835,133</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	\$46,289,848	\$21,095,212	\$56,481,221	\$ 88,237,438	\$ 2,281,736
Restricted	3,693,132	2,331,175	8,242,537	8,972,702	364,307
Unrestricted (deficit)	(4,162,363)	(3,879,815)	(8,681,238)	4,937,138	906,893
Total net position	<u>\$45,820,617</u>	<u>\$ 19,546,572</u>	<u>\$56,042,521</u>	<u>\$ 102,147,277</u>	<u>\$ 3,552,936</u>

**G. Restricted Assets**

The restricted assets consist of the following:

<b>Electric System</b>	<b>September 30, 2018</b>
Schedule of restricted assets	
Other Post Retirement Benefits Fund, medical and life	3,693,132
Total Restricted Assets	<u>\$ 3,693,132</u>
<b>Gas System</b>	<b>September 30, 2018</b>
Schedule of restricted assets	
Other Post Retirement Benefits Fund, medical and life	1,311,895
Restricted for future capital projects	1,019,280
Total Restricted Assets	<u>\$ 2,331,175</u>

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

September 30, 2018

<b>Water System</b>	<b><u>September 30, 2018</u></b>
Series 2009 and 2013 Warrant Fund:	
U.S. Treasury Obligation Fund (variable interest rate)	\$ 3,490,350
Series 2009 Reserve Fund:	
U.S. Treasury Obligation Fund (variable interest rate)	1,749,878
Improvement Fund:	
Bank checking, included in SAFE program	500,000
Other Post Retirement Benefits Fund, medical and life	2,332,228
Series 2009 SRF/ARRA Warrant Fund:	
U.S. Treasury Obligation Fund (variable interest rate)	356,453
Total Restricted Assets	<u>\$ 8,428,909</u>
 <b>Wastewater System</b>	 <b><u>September 30, 2018</u></b>
Series 2004, 2010, & 2013 Warrant Fund	
Bank Investment Account (interest yield at federal fund rate)	\$ 4,153,415
Series 2009 Reserve Fund:	
U.S. Treasury Obligation Fund (variable interest rate)	2,582,716
Other Post Retirement Benefits Fund, medical and life	1,951,193
Replacement and Extension Fund	
Bank checking, included in SAFE program	500,000
Total Restricted Assets	<u>\$ 9,187,324</u>
 <b>Administrative System</b>	 <b><u>September 30, 2018</u></b>
Schedule of restricted assets	
Workman's Compensation - funds on deposit held by insurance administrator	5,000
Sewer enhancement fund	359,307
Total Restricted Assets	<u>\$ 364,307</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

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

September 30, 2018

revenue accrual throughout the fiscal year and will adjust the amount annually at September 30th of each successive year. The balance at September 30, 2018 is \$3,952,361.

**I. Accrued Leave**

Accrued PTO at September 30, 2018 is as follows

	<u>September 30, 2018</u>
Electric	\$ 199,839
Gas	-
Water	108,840
Wastewater	79,488
Administrative	522,346
	<u>\$ 910,513</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 Employees' Retirement System of Alabama, an agency multiple-employer plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

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

September 30, 2018

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

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years are as follows:
  - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
  - b. Two vested active state employees.
  - c. Two vested active employees of an employer participating in ERS pursuant § 36-27-6.

*Benefits provided:* State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after attaining age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after attaining age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are calculated based on a retirement formula. In order to receive disability retirement, the member must have at least 10 years of creditable service and be actively in service. The member is offered several options for the monthly benefit distribution. Under this formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after attaining age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are calculated based on a retirement formula. In order to receive disability retirement, the member must have at least 10 years of creditable service and be actively in service. The member is offered several options for the monthly benefit distribution. Under this formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

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

September 30, 2018

The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 85,116 participants. As of September 30, 2017, membership consisted of:

	<b>Utility</b>
Retired beneficiaries currently receiving benefits	\$ 111
Terminated employees entitled to but not yet receiving benefit	27
Terminated employees not entitled to a benefit	7
Active members	171
Post-DROP retired members still in active service	-
<b>Total</b>	<b>\$ 316</b>

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 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 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, 2018, the Utility's active employee contribution rate was 5% of covered employee payroll for tier 1 employees and 6% of covered employee payroll for tier 2 employees, and the Utility's average contribution rate to fund the normal and accrued liability costs was 152.77 percent of covered employee payroll.

The Utility's contractually required contribution rate for the year ended September 30, 2018 was 13.86% of pensionable pay for Tier 1 employees, and 11.43% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2016, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$1,431,079 for the year ended September 30, 2018.

*Net Pension Liability*



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

September 30, 2018

The Utility's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016 rolled forward to September 30, 2017 using standard roll-forward techniques as shown in the following table:

	Expected	Actual
<b>Total Pension Liability</b> as of September 30, 2016 (a)	\$ 50,175,855	\$ 49,790,892
<b>Discount Rate (b)</b>	7.75%	7.75%
<b>Entry Age Normal Cost for</b> October 1, 2016 - September 30, 2017 (c)	\$ 765,318	\$ 765,318
<b>Transfers Among Employees (d)</b>	\$ -	\$ (41,676)
<b>Actual Benefit Payments and Refunds for</b> October 1, 2016 - September 30, 2017 (e)	\$ (2,878,582)	\$ (2,878,582)
<b>Total Pension Liability (f)</b> as of September 30, 2017 [(a) x (1+(b))] + (c) + (d) + [e x (1+.5 x (b))]	\$ 51,839,675	\$ 51,383,201
<b>Difference between expected and actual</b> experience (Gain)/Loss (g)		\$ (456,474)
<b>Less Liability Transferred for Immediate</b> recognition		\$ (41,676)
<b>Experience (Gain)/Loss = (g) - (h)</b>		\$ (414,798)

Actuarial assumptions: The total pension liability in the September 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75% - 7.25%
Investment rate of return*	8.00%

\* Net of pension plan expense

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2017 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participation data as of September 30, 2015. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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

September 30, 2018

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

	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return*</b>
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%

*\*Includes assumed rate of inflation of 2.50%*

Discount rate: The discount rate used to measure the total pension liability was the long term rate of return, 8.00%. 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:*

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
<b>Balances at 9/30/2016</b>	\$ 50,175,855	\$ 32,022,504	\$ 18,153,351
Changes for the year:			
Service cost	765,318	-	765,318
Interest	3,777,084	-	3,777,084
Change of assumptions	-	-	-
Differences between expected and actual experience	(414,798)	-	(414,798)
Contributions - employer	-	1,415,404	(1,415,404)
Contributions - employee	-	533,792	(533,792)
Net investment income	-	4,038,012	(4,038,012)
Benefit payments, including refunds of employee contributions	(2,878,582)	(2,878,582)	-
Administrative expense	-	-	-
Transfers among employers	(41,676)	(41,676)	-
Net changes	1,207,346	3,066,950	(1,859,604)
<b>Balances at 9/30/2017</b>	<u>\$ 51,383,201</u>	<u>\$ 35,089,454</u>	<u>\$ 16,293,747</u>

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

September 30, 2018

*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 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75 %)	Current Rate (7.75 %)	1% Increase (8.75 %)
Utility's net pension liability	\$ 21,991,300	\$ 16,293,746	\$ 11,450,062

*(Dollar amounts in thousands)*

*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, 2017. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2017. The auditor's report dated May 30, 2018 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](http://www.rsa-al.gov).

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

For the year ended September 30, 2018, the Utility recognized pension expense of \$1,194,755. At September 30, 2018, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 817,862
Changes of assumptions	637,114	-
Net difference between projected and actual earnings on pension plan investments	-	1,062,120
Employer contributions subsequent to the measurement date	1,391,790	-
Total	\$ 2,028,904	\$ 1,879,982

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:		
2019	\$	(369,739)
2020		(148,796)
2021		(364,583)
2022		(322,042)
2023		(37,708)
Thereafter		-

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

September 30, 2018

**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, 2018, the Utility purchased commercial insurance for all the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage during the year.

**C. Commitments and Contingencies**

Under its wholesale power agreement, the Electric System is committed to purchase its electric power and energy requirement from the Tennessee Valley Authority (TVA). The rates for such purchases are subject to review periodically. Additionally, the Electric System has entered into a TVA agreement that allows customers to finance new and/or replacement HVAC units and repay on their monthly utility bill. DU serves as the collection agent for repayment of these loans. The outstanding balance of these loans receivable was \$3,119,280 and the outstanding balance due to TVA for collection of the loans was also \$3,119,280.

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, 2018 contract commitments total \$2,175,600 for fiscal year 2019, \$2,005,500 for fiscal year 2020, \$2,005,500 for fiscal year 2021, \$1,787,100 for fiscal year 2022 and \$61,200 for fiscal year 2023. At December 21, 2018, no purchase commitments extended beyond October 2022 and additional outstanding commitments were \$164,000 for fiscal year 2019.

**D. Other Post-Employment Benefits**

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

**Plan Description**

Decatur Utilities provides post-employment benefits other than pension to all full time employees who retire as an eligible participant in the retirement plan described in Note 4A. These benefits are approved by the board of directors. Contribution funding is also approved by the board. Benefits provided to retirees at September 30, 2018 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.

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

September 30, 2018

**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, 2018 are detailed in the following tables. Table 1A shows the net OPEB liability as of June 30, 2018, 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, 2018 in order to be in compliance with GASB Statement No. 75.

	<u>Table 1A</u>		
	<u>(a) Total OPEB Liability (TOL)</u>	<u>(b) Plan Fiduciary Net Position</u>	<u>(a) - (b) Net OPEB Liability</u>
Total OPEB Liability (TOL) September 30, 2017	\$ 34,189,308	\$ -	\$ 34,189,308
Service Cost	577,544	-	577,544
Interest	1,076,050	-	1,076,050
Difference Between Actual and Expected	-	-	-
Net Investment Income	-	-	-
Actual System Contributions	-	822,065	(822,065)
Benefit Payments	(822,065)	(822,065)	-
Administrative Expense	-	-	-
Net Changes	<u>831,529</u>	<u>-</u>	<u>831,529</u>
Total OPEB Liability(TOL) September 30, 2018	<u>\$ 35,020,837</u>	<u>\$ -</u>	<u>\$ 35,020,837</u>

**Actuarial Methods and Assumptions**

The valuation was based on information provided by the Utility as of October 1, 2017 and only those not frozen in the defined benefit plan.

**Plan Membership**

Number of Participants	
Actives (with medical coverage)	148
Retirees (with medical coverage)	118
Total Participants	<u>266</u>
Annual Projected Payroll	\$ 9,721,892
Average Projected Earnings	\$ 65,688

**Benefits Provided**

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

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

September 30, 2018

**Actuarial assumptions**

The total OPEB liability was determined by an actuarial valuation as of September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.50%
Health Trend	Medical: 8.0% to grade uniformly to 5.0% over a 10 year period. Dental: 5.0% per annum
Actuarial Cost Method	Entry age normal

Mortality rates were based on the RP-2016 annuity for healthy males and RP-2016 annuity for healthy females.

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of an actuarial experience study for the period ending October 1, 2017.

*Discount rate*

The discount rate used to measure the total OPEB liability was 3.17 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 7.0% decreasing to 4%	Current 8.0% decreasing to 5%	1% Increase 9.0% decreasing to 6%
Total OPEB Liability	\$ 30,005,037	\$ 35,020,837	\$ 41,377,828
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	30,005,037	35,020,837	41,377,828

***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:

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

September 30, 2018

	1% Decrease 2.17%	Current 3.17%	1% increase 4.17%
Net OPEB Liability	\$ 41,245,328	\$ 35,020,837	\$ 30,062,907
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	41,245,328	35,020,837	30,062,907

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

For the year ended June 30, 2018, the System recognized OPEB expense of \$1,653,594. At September 30, 2018, the System reported deferred outflows of related to OPEB liability from the following sources:

	<b>September 30, 2018</b>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	-	-
Post-measurement contribution	65,765	-
Total	\$ 65,765	\$ -

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, 2018:

Year ending June 30,	Amortized
2019	-
2020	-
2021	-
2022	-
2023	-
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, 2018 no benefits were payable and not paid.

*Administrative Expenses.* Qualified Plan administrative expenses are paid by the Plan. During the year ended June 30, 2018 administrative expenses paid were \$0.

**F. Restatement of Beginning Net Position – GASB 75 Implementation**

As of October 1, 2017 a restatement of beginning net position was made for net OPEB liability due to the Utility implementing GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions— an amendment of GASB Statement No. 45*. The implementation of GASB Statement No. 75 resulted in the Authority restating net position by (\$27,861,944). The net effect of this restatement of beginning net position resulted in a decrease in the October 1, 2017 net position in the amount of (\$27,861,944).

## **REQUIRED SUPPLEMENTARY INFORMATION**



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

September 30, 2018

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

*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.*

**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, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 1,391,790	\$ 1,415,401	\$ 1,451,818	\$ 1,481,882	\$ 1,439,683
Contributions in relation to the actuarially determined contribution	<u>1,391,790</u>	<u>1,415,401</u>	<u>1,451,818</u>	<u>1,481,882</u>	<u>1,439,683</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 10,627,839	\$ 10,665,563	\$ 10,397,431	\$ 9,916,527	\$ 9,655,596
Contributions as a percentage of covered - employee payroll	13.10%	13.27%	13.96%	14.94%	14.91%

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

*See independent auditor's report.*

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

For the Year Ended September 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	26.5 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

*See independent auditor's report.*

**MUNICIPAL UTILITIES BOARD OF DECATUR**  
**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY**  
**AND RELATED RATIOS**  
For the Year Ended September 30, 2018

<b>Total OPEB Liability</b>	<u><b>2018</b></u>
Service cost	\$ 577,544
Interest	1,076,050
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefits Payments and Refunds	<u>(822,065)</u>
Net Change in Total OPEB Liability	831,529
<b>Total OPEB Liability - beginning</b>	<u><b>34,189,308</b></u>
<b>Total OPEB Liability - ending (a)</b>	<u><b>\$ 35,020,837</b></u>
Covered Employee Payroll	\$ 9,721,892
Net OPEB Liability as a % of covered-employee payroll	360.23%

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

*See independent auditor's report.*

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

For the Year Ended September 30, 2018

**Notes to OPEB Required Supplementary Information**

*Valuation Date:* Actuarially determined contribution rates for 2018 were calculated based on the October 1, 2017 actuarial valuation.

***Methods and assumptions used to determine contribution rates:***

Actual cost method:	Entry age normal - level percent of pay	
Mortality:	RP-2014 Adjusted to 2006 total dataset headcount-weighted mortality with MP 2016.	
Turnover:	None	
Retirement rates:	<u>Age</u>	<u>Rate of retirement</u>
	50	10%
	51-54	5%
	55	20%
	56-64	5%
	65	100%
Salary Increases	2.50%	
Discount rate:	The discount rate used to measure the total OPEB liability was 3.17 percent. Based on the S&P Municipal Bond 20 Year High	
Health Care Cost Trend Rate:	Medical - 8.0% to grade uniformly to 5.0% over a 10 year period Dental - 5.0% per annum	

*See independent auditor's report.*

## **SUPPLEMENTARY AND OTHER INFORMATION SECTION**

**MUNICIPAL UTILITIES BOARD OF DECATUR**  
**SCHEDULE OF LONG-TERM DEBT**  
September 30, 2018

Year Ended September 30,	2009 Series SRF/ARRA Wastewater Warrants		2010 Series Wastewater Warrants		2012 Series SRF Wastewater Warrants		2013 Series Wastewater Warrants	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 470,000	\$ 267,750	\$ 1,055,000	\$ 56,115	\$ 35,000	\$ 18,838	\$ 1,595,000	\$ 945,031
2020	490,000	251,300	1,095,000	28,580	40,000	17,875	1,645,000	897,181
2021	505,000	234,150	-	-	40,000	16,775	1,695,000	847,831
2022	525,000	216,475	-	-	40,000	15,675	1,745,000	796,981
2023	545,000	198,100	-	-	40,000	14,575	1,795,000	744,631
2024	565,000	179,025	-	-	45,000	13,475	1,850,000	690,781
2025	585,000	159,250	-	-	45,000	12,238	1,905,000	635,281
2026	605,000	138,775	-	-	45,000	11,000	1,960,000	578,131
2027	625,000	117,600	-	-	45,000	9,763	2,020,000	519,331
2028	650,000	95,725	-	-	50,000	8,525	2,080,000	458,731
2029	670,000	72,975	-	-	50,000	7,150	2,150,000	391,131
2030	695,000	49,525	-	-	50,000	5,775	2,220,000	321,256
2031	720,000	25,200	-	-	50,000	4,400	2,295,000	246,331
2032	-	-	-	-	55,000	3,025	2,370,000	168,875
2033	-	-	-	-	55,000	1,513	2,455,000	85,925
	<u>\$ 7,650,000</u>	<u>\$ 2,005,850</u>	<u>\$ 2,150,000</u>	<u>\$ 84,695</u>	<u>\$ 685,000</u>	<u>\$ 160,602</u>	<u>\$ 29,780,000</u>	<u>\$ 8,327,428</u>

*See independent auditor's report.*

**MUNICIPAL UTILITIES BOARD OF DECATUR**  
**SCHEDULE OF LONG-TERM DEBT**  
September 30, 2018

Year Ended	Water System										
	2009 Series Water Warrant		2009 Series/SRF Water Warrant		2012 Series/SRF Water Warrant		2013 Series Water Warrant		Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2019	\$ 2,050,000	\$ 82,000	\$ 145,000	\$ 81,725	\$ 20,000	\$ 10,725	\$ -	\$ 328,313	\$ 5,370,000	\$ 1,790,497	\$ 7,160,497
2020	-	-	150,000	76,650	20,000	10,175	605,000	328,313	4,045,000	1,610,074	5,655,074
2021	-	-	155,000	71,400	25,000	9,625	625,000	310,163	3,045,000	1,489,944	4,534,944
2022	-	-	160,000	65,975	25,000	8,938	645,000	291,413	3,140,000	1,395,457	4,535,457
2023	-	-	165,000	60,375	25,000	8,250	665,000	272,063	3,235,000	1,297,994	4,532,994
2024	-	-	170,000	54,600	25,000	7,563	685,000	252,113	3,340,000	1,197,557	4,537,557
2025	-	-	180,000	48,650	25,000	6,875	705,000	231,563	3,445,000	1,093,857	4,538,857
2026	-	-	185,000	42,350	25,000	6,188	725,000	210,413	3,545,000	986,857	4,531,857
2027	-	-	190,000	35,875	25,000	5,500	745,000	188,663	3,650,000	876,732	4,526,732
2028	-	-	200,000	29,225	25,000	4,813	770,000	166,313	3,775,000	763,332	4,538,332
2029	-	-	205,000	22,225	30,000	4,125	795,000	142,250	3,900,000	639,856	4,539,856
2030	-	-	210,000	15,050	30,000	3,300	820,000	116,413	4,025,000	511,319	4,536,319
2031	-	-	220,000	7,700	30,000	2,475	845,000	89,763	4,160,000	375,869	4,535,869
2032	-	-	-	-	30,000	1,650	875,000	62,300	3,330,000	235,850	3,565,850
2033	-	-	-	-	30,000	825	905,000	31,675	3,445,000	119,938	3,564,938
	<u>\$ 2,050,000</u>	<u>\$ 82,000</u>	<u>\$2,335,000</u>	<u>\$ 611,800</u>	<u>\$ 390,000</u>	<u>\$ 91,027</u>	<u>\$10,410,000</u>	<u>\$3,021,731</u>	<u>\$55,450,000</u>	<u>\$14,385,133</u>	<u>\$ 69,835,133</u>

*See independent auditor's report.*



**MUNICIPAL UTILITIES BOARD OF DECATUR**  
**SCHEDULE OF OPERATING STATISTICS, ELECTRIC - UNAUDITED**  
September 30, 2018

	<b>For The Fiscal Years Ended September 30,</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Revenue</b>					
Residential (net of bad debt)	\$ 32,674,404	\$ 29,817,588	\$ 30,621,555	\$ 32,188,961	\$ 32,250,841
Commercial	7,232,312	7,061,415	7,044,689	7,238,405	7,098,808
Industrial	53,101,223	53,024,425	52,300,510	53,963,746	56,448,547
Street and outdoor lighting	942,427	955,899	945,825	960,276	937,452
Unbilled revenue	1,961,408	(175,594)	185,881	(498,153)	167,355
Other operating	1,094,852	1,056,664	1,098,012	1,691,465	1,583,036
Interest and other revenue	420,831	107,733	46,086	66,528	42,845
	<u>\$ 97,427,457</u>	<u>\$ 91,848,129</u>	<u>\$ 92,242,558</u>	<u>\$ 95,611,228</u>	<u>\$ 98,528,884</u>
<b>Expense</b>					
Electric power costs	\$ 82,311,528	\$ 79,365,208	\$ 79,499,196	\$ 82,504,546	\$ 86,383,317
Other operating expenses	7,736,328	7,246,877	7,437,347	7,027,572	6,906,313
Provision for depreciation	2,578,158	2,434,825	2,342,047	2,241,946	2,202,007
Transfer out - tax equivalent	1,736,521	1,703,462	1,698,713	1,686,102	1,662,525
Interest and other expense	2,013	926	1,078	775	710
	<u>94,364,548</u>	<u>90,751,298</u>	<u>90,978,381</u>	<u>93,460,941</u>	<u>97,154,872</u>
Net income (loss)	<u>\$ 3,062,909</u>	<u>\$ 1,096,831</u>	<u>\$ 1,264,177</u>	<u>\$ 2,150,287</u>	<u>\$ 1,374,012</u>
<b>Financial</b>					
Plant in service (net)	<u>\$ 46,289,848</u>	<u>\$ 42,401,396</u>	<u>\$ 42,165,291</u>	<u>\$ 41,138,756</u>	<u>\$ 40,378,569</u>
<b>KWH's sold</b>					
Residential	341,257,849	310,302,470	327,232,862	349,083,207	354,982,105
Commercial	68,114,199	67,325,402	68,364,970	69,215,844	69,160,759
Industrial	805,360,267	789,139,768	787,466,736	797,374,329	815,033,832
Other customers	7,069,444	7,192,137	7,280,742	7,233,098	7,162,224
Accrued unbilled kWh	3,170,199	(3,680,273)	4,365,236	(3,263,921)	224,632
Total	<u>1,224,971,958</u>	<u>1,170,279,504</u>	<u>1,194,710,546</u>	<u>1,219,642,557</u>	<u>1,246,563,552</u>
<b>Number of customers</b>					
Residential	22,499	22,528	22,517	22,489	22,471
Small commercial	3,324	3,359	3,358	3,322	3,303
Large commercial	537	541	538	549	552
Street and athletic	112	109	108	101	98
Outdoor lighting - code 78	59	62	61	64	63
	<u>26,531</u>	<u>26,599</u>	<u>26,582</u>	<u>26,525</u>	<u>26,487</u>
<b>Line loss</b>	<u>2.72%</u>	<u>2.34%</u>	<u>2.91%</u>	<u>3.08%</u>	<u>2.91%</u>
<b>Miles of line</b>	594	594	593	593	593

See independent auditor's report.

**MUNICIPAL UTILITIES BOARD OF DECATUR**  
**SCHEDULE OF OPERATING STATISTICS, GAS - UNAUDITED**  
September 30, 2018

	<b>For The Fiscal Years Ended September 30,</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Revenue</b>					
Residential (net of bad debt)	\$ 4,371,592	\$ 3,554,367	\$ 3,456,807	\$ 4,580,909	\$ 5,321,267
Commercial	3,402,370	2,916,580	2,831,132	3,893,977	4,695,727
Industrial	7,292,930	7,566,226	6,876,132	8,002,527	10,820,674
Other operating	170,159	161,107	169,191	186,178	142,429
Contributed capital	48,817	10,325	138,288	81,518	284,471
Interest and other revenue	132,106	21,757	18,925	19,304	20,814
	<u>\$ 15,417,974</u>	<u>\$ 14,230,361</u>	<u>\$ 13,490,475</u>	<u>\$ 16,764,413</u>	<u>\$ 21,285,382</u>
<b>Expense</b>					
Gas purchased	\$ 10,908,578	\$ 10,932,346	\$ 9,490,692	\$ 12,809,361	\$ 16,069,536
Other operating expenses	2,848,481	2,745,456	2,732,770	2,698,584	2,600,204
Provision for depreciation	898,415	872,022	873,270	843,794	821,620
Transfer out - tax equivalent	356,501	-	127,545	165,447	754,655
Interest and other expense	681	313	365	262	240
	<u>15,012,656</u>	<u>14,550,137</u>	<u>13,224,642</u>	<u>16,517,448</u>	<u>20,246,255</u>
Net income (loss)	<u>\$ 405,318</u>	<u>\$ (319,777)</u>	<u>\$ 265,833</u>	<u>\$ 246,965</u>	<u>\$ 1,039,127</u>
<b>Financial</b>					
Plant in service (net)	<u>\$ 21,095,212</u>	<u>\$ 20,559,693</u>	<u>\$ 20,402,140</u>	<u>\$ 19,615,617</u>	<u>\$ 18,494,001</u>
<b>MCF's sold</b>					
Residential	451,878	322,226	361,326	502,581	543,646
Commercial	530,737	412,283	427,242	524,976	566,669
Industrial	947,205	888,995	963,163	1,013,603	954,524
Flex	843,375	802,970	740,752	819,805	913,427
Transportation	4,123,488	3,780,405	3,732,368	3,670,212	3,686,898
Total	<u>6,896,683</u>	<u>6,206,879</u>	<u>6,224,851</u>	<u>6,531,177</u>	<u>6,665,164</u>
<b>Number of customers</b>					
Residential	11,884	11,880	11,948	11,961	11,906
Commercial	1,649	1,642	1,650	1,656	1,662
Industrial	30	27	27	31	32
Flex	2	2	2	2	1
Transportation	10	10	10	11	12
	<u>13,575</u>	<u>13,561</u>	<u>13,637</u>	<u>13,661</u>	<u>13,613</u>
Loss percentage	<u>0.65%</u>	<u>0.40%</u>	<u>0.27%</u>	<u>0.17%</u>	<u>0.02%</u>
Miles of mains	421	421	420	420	418

See independent auditor's report.

**MUNICIPAL UTILITIES BOARD OF DECATUR**  
**SCHEDULE OF OPERATING STATISTICS, WATER - UNAUDITED**  
September 30, 2018

	<b>For The Fiscal Years Ended September 30,</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Revenue</b>					
Residential (net of bad debt)	\$ 5,664,042	\$ 5,790,376	\$ 5,145,729	\$ 3,888,354	\$ 3,614,808
Commercial	1,897,542	1,897,043	1,792,369	1,584,953	1,563,592
Industrial	4,556,749	4,691,792	4,510,906	4,065,104	4,059,201
Resale	2,156,640	2,168,199	2,122,410	1,754,994	1,550,542
Other operating	1,235,820	1,327,948	1,223,836	1,196,156	1,071,111
Capital contributions	529,487	999,908	1,861,449	608,413	99,106
Interest and other revenue	228,800	65,637	23,019	20,083	25,086
	<u>\$ 16,269,080</u>	<u>\$ 16,940,903</u>	<u>\$ 16,679,718</u>	<u>\$ 13,118,057</u>	<u>\$ 11,983,446</u>
<b>Expense</b>					
Treatment expense	4,529,640	4,806,322	4,536,432	4,333,174	4,372,768
Other operating expenses	3,929,806	4,184,128	4,320,734	4,066,382	3,863,095
Provision for depreciation	3,099,141	2,984,911	2,821,040	2,737,898	2,689,556
Transfer out - tax equivalent	601,339	617,616	609,657	565,018	550,689
Interest and other expense	646,333	712,226	771,840	834,034	884,812
	<u>12,806,259</u>	<u>13,305,203</u>	<u>13,059,703</u>	<u>12,536,506</u>	<u>12,360,920</u>
Net income (loss)	<u>\$ 3,462,821</u>	<u>\$ 3,635,700</u>	<u>\$ 3,620,015</u>	<u>\$ 581,551</u>	<u>\$ (377,474)</u>
<b>Financial</b>					
Plant in service (net)	<u>\$ 71,478,591</u>	<u>\$ 71,114,595</u>	<u>\$ 68,720,810</u>	<u>\$ 67,544,064</u>	<u>\$ 67,578,150</u>
<b>Gallons sold (1000's)</b>					
Residential	1,467,710	1,550,592	1,576,645	1,485,204	1,503,192
Commercial	1,012,205	1,010,070	1,000,720	954,374	985,466
Industrial	5,174,590	5,207,498	5,091,172	4,942,493	4,992,736
Resale	2,219,264	2,253,213	2,223,963	1,922,236	1,940,328
Total	<u>9,873,769</u>	<u>10,021,373</u>	<u>9,892,500</u>	<u>9,304,307</u>	<u>9,421,722</u>
<b>Number of customers</b>					
Residential	22,052	22,060	22,054	22,034	21,989
Commercial	3,228	3,212	3,202	3,201	3,198
Industrial	95	95	97	96	97
Resale	10	8	9	9	11
	<u>25,385</u>	<u>25,375</u>	<u>25,362</u>	<u>25,340</u>	<u>25,295</u>
<b>Loss percentage</b>	<u>9.49%</u>	<u>8.21%</u>	<u>3.13%</u>	<u>3.93%</u>	<u>6.36%</u>
<b>Miles of mains</b>	491	490	487	487	484
<b>Fire hydrants in service</b>	2,060	2,048	2,039	2,032	2,028
<b>Capacity of storage tanks (1000's)</b>	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, 2018

	<b>For The Fiscal Years Ended September 30,</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Revenue</b>					
Residential (net of bad debt)	\$ 4,804,350	\$ 4,767,727	\$ 4,562,962	\$ 4,582,892	\$ 4,700,816
Commercial	2,867,505	2,796,298	2,717,217	2,623,931	2,669,924
Industrial	8,205,795	7,865,044	7,724,714	7,385,112	6,764,161
Government agencies	158,951	130,596	132,372	253,934	260,112
Other operating	1,575,258	1,707,430	1,554,018	1,457,723	1,394,264
Capital contributions	9,585,858	185,600	2,485,712	399,065	22,336
Interest and other revenue	463,270	143,030	57,137	56,512	74,669
	<u>\$ 27,660,987</u>	<u>\$ 17,595,727</u>	<u>\$ 19,234,132</u>	<u>\$ 16,759,169</u>	<u>\$ 15,886,282</u>
<b>Expense</b>					
Treatment expense	3,316,695	3,259,454	3,332,103	3,143,772	3,101,386
Other operating expenses	3,586,561	3,454,030	3,832,292	3,708,071	3,639,724
Provision for depreciation	3,994,199	3,557,511	3,269,058	3,099,084	2,956,611
Transfer out - tax equivalent	850,884	823,166	692,161	610,585	602,341
Interest and other expense	1,363,581	1,459,386	1,552,205	1,629,857	1,697,678
	<u>13,111,920</u>	<u>12,553,547</u>	<u>12,677,819</u>	<u>12,191,369</u>	<u>11,997,740</u>
Net income (loss)	<u>\$ 14,549,067</u>	<u>\$ 5,042,181</u>	<u>\$ 6,556,313</u>	<u>\$ 4,567,800</u>	<u>\$ 3,888,542</u>
<b>Financial</b>					
Plant in service (net)	<u>\$ 128,646,460</u>	<u>\$ 112,398,375</u>	<u>\$ 106,717,790</u>	<u>\$ 93,197,147</u>	<u>\$ 89,464,920</u>
<b>Gallons billed (1000's)</b>					
Residential	944,004	960,426	953,999	957,690	991,558
Commercial	767,194	761,640	740,484	710,384	725,722
Industrial	2,326,929	2,206,526	2,128,748	2,095,428	1,991,381
Government agencies	101,114	75,620	81,311	163,088	164,916
Total	<u>4,139,241</u>	<u>4,004,212</u>	<u>3,904,542</u>	<u>3,926,590</u>	<u>3,873,577</u>
<b>Number of customers</b>					
Residential	18,152	18,136	18,099	18,070	18,005
Commercial	2,241	2,233	2,237	2,240	2,232
Industrial	80	78	79	77	81
Government agencies	1	1	1	1	1
	<u>20,474</u>	<u>20,448</u>	<u>20,416</u>	<u>20,388</u>	<u>20,319</u>
<b>Miles of mains</b>	374	358	350	348	342

*See independent auditor's report.*

## **INTERNAL CONTROL AND COMPLIANCE SECTION**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Municipal Utilities Board of Decatur, Morgan County, Alabama, a component unit of the City of Decatur Alabama, as of and for the year ended September 30, 2018, 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 21, 2018.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Municipal Utilities Board of Decatur's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipal Utilities Board of Decatur's internal control. Accordingly, we do not express an opinion on the effectiveness of Municipal Utilities Board of Decatur's internal control.

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

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

### **Compliance and Other Matters**

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

## Purpose of this Report

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

A handwritten signature in black ink that reads "Alexander Thompson Ainsworth PLLC". The signature is written in a cursive, slightly slanted style.

Jackson, Tennessee  
December 21, 2018

**MUNICIPAL UTILITIES BOARD OF DECATUR**  
**SCHEDULE OF FINDINGS**  
September 30, 2018

No current year findings reported.



**MUNICIPAL UTILITIES BOARD OF DECATUR**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
September 30, 2018

No prior year findings reported.