

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2021**

# MUNICIPAL UTILITIES BOARD OF DECATUR

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**MUNICIPAL UTILITIES BOARD OF DECATUR, MORGAN COUNTY, ALABAMA  
D/B/A DECATUR UTILITIES  
INTRODUCTORY SECTION  
September 30, 2021**

**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  
Lisa Terry, CMA, Finance 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 business-type activities and the aggregate remaining fund information of the Municipal Utilities Board of Decatur, Morgan County, Alabama, an enterprise fund of the City of Decatur, Alabama, as of and for the year ended September 30, 2021, 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.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of the

Municipal Utilities Board of Decatur, as of September 30, 2021, 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, 2021, 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 Contributions – OPEB, Schedule of Investment Returns – OPEB Plan, Schedule of Notes to OPEB Required Supplementary Information, Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan, Schedule of Contributions Based on Participation in the Public Employee Pension Plan and Notes to Required Supplementary Information as 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, the 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, 2021 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, 2021

## 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, 2021. 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 \$257 million (*Net Position*).
- Operating revenues were \$140 million, an increase from fiscal year 2020 in the amount of \$8 million or 6.02%.
- Operating expenses were \$127 million, an increase from fiscal year 2020 in the amount of \$7 million or 5.46%.
- The operating income for the year was \$13 million as compared to \$12 million for fiscal year 2020.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

### REQUIRED FINANCIAL STATEMENTS

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

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

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

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



return, evaluating the capital structure of the Utility, and assessing the liquidity and financial flexibility of the Utility.

The Statement of Revenues, Expenses, and Changes in Net Position present the results of the business activities over the course of the fiscal year and information as to how the Net Position changed during the year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the Utility's operations and can be used to determine whether the Utility has successfully recovered all of its costs. This statement also aids in the evaluation of income sufficiency and credit worthiness.

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

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

## **FINANCIAL ANALYSIS**

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

The Electric System's total Net Position increased by \$2.22 million for the fiscal year ended September 30, 2021. The analysis below focuses on the System's Net Position (Table 1A) and changes in Net Position (Table 1B) during the year.

Table 1A  
ELECTRIC SYSTEM

	CONDENSED STATEMENT OF NET POSITION		Increase (Decrease)	
	September 30, 2021	September 30, 2020	\$	%
Current assets	\$ 27,369,333	\$ 26,080,776	\$ 1,288,557	4.94%
Restricted assets	2,017,326	1,299,536	717,789	55.23%
Capital assets	47,240,770	47,134,850	105,920	0.22%
Other assets	5,138,837	4,367,180	771,657	17.67%
Total assets	<u>81,766,266</u>	<u>78,882,343</u>	<u>2,883,923</u>	3.66%
Deferred outflows of resources	<u>2,243,646</u>	<u>1,402,570</u>	<u>841,076</u>	59.97%
Current liabilities	7,961,362	7,821,319	140,043	1.79%
Long term liabilities	16,532,472	15,373,537	1,158,935	7.54%
Other liabilities	5,237,753	4,477,165	760,588	16.99%
Total liabilities	<u>29,731,587</u>	<u>27,672,022</u>	<u>2,059,565</u>	7.44%
Deferred inflows of resources	<u>1,993,465</u>	<u>2,551,781</u>	<u>(558,316)</u>	-21.88%
Investment in capital assets	47,240,770	47,134,850	105,920	0.22%
Restricted	2,017,326	1,299,536	717,790	55.23%
Unrestricted	3,026,764	1,626,723	1,400,041	86.06%
Total net position	<u>\$ 52,284,860</u>	<u>\$ 50,061,110</u>	<u>\$ 2,223,750</u>	4.44%

The most significant changes from fiscal year 2020 to 2021 were increases in current assets and long-term liabilities. The increase in current assets were increases in cash due to current year activities. The increases in long-term liabilities were caused by increases in net pension liability due to current year actuarial activity.

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, 2021.

Table 1B  
ELECTRIC SYSTEM

	September 30, 2021	September 30, 2020	Increase (Decrease)	
			\$	%
Operating revenues	\$ 89,705,874	\$ 87,291,974	\$ 2,413,900	2.77%
Purchased power	74,398,307	73,742,551	655,756	0.89%
Gross margin	15,307,567	13,549,423	1,758,144	12.98%
Other operating expenses	11,199,737	9,883,309	1,316,428	13.32%
Operating income	4,107,830	3,666,114	441,716	12.05%
Other revenue (expenses)	2,717	220,120	(217,403)	-98.77%
Income before transfers	4,110,547	3,886,233	224,314	5.77%
Tax equivalents	(1,886,797)	(1,888,937)	2,140	-0.11%
Change in net position	2,223,750	1,997,296	226,454	11.34%
Net position - beginning	50,061,110	48,063,814	1,997,296	4.16%
Net position - ending	\$ 52,284,860	\$ 50,061,110	\$ 2,223,750	4.44%

From fiscal year 2020 to 2021, operating revenues increased by 2.77% due to increases in usage during the current year. This was offset by a 0.89% increase in purchased power cost. Net position increased 4.44% from the prior year.

The Gas System's total Net Position increased by \$46 thousand for the fiscal year ended September 30, 2021. 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, 2021	September 30, 2020		
Current assets	\$ 5,521,453	\$ 5,519,282	\$ 2,171	0.04%
Restricted assets	4,969,993	3,652,594	1,317,399	36.07%
Capital assets	22,647,013	22,313,327	333,686	1.50%
Other assets	-	477	(477)	-100.00%
Total assets	<u>33,138,459</u>	<u>31,485,681</u>	<u>1,652,777</u>	<u>5.25%</u>
Deferred outflows of resources	<u>886,182</u>	<u>525,755</u>	<u>360,427</u>	<u>68.55%</u>
Current liabilities	1,471,485	1,000,457	471,028	47.08%
Long term liabilities	5,731,880	5,268,535	463,345	8.79%
Other liabilities	4,960,305	3,640,577	1,319,728	36.25%
Total liabilities	<u>12,163,670</u>	<u>9,909,569</u>	<u>2,254,101</u>	<u>22.75%</u>
Deferred inflows of resources	<u>850,824</u>	<u>1,138,195</u>	<u>(287,371)</u>	<u>-25.25%</u>
Investment in capital assets	22,647,013	22,313,327	333,686	1.50%
Restricted	4,969,993	3,652,594	1,317,399	36.07%
Unrestricted	(6,606,859)	(5,002,250)	(1,604,610)	-32.08%
Total net position	<u>\$ 21,010,147</u>	<u>\$ 20,963,672</u>	<u>\$ 46,475</u>	<u>0.22%</u>

The most significant change from fiscal year 2020 to 2021 was an increase in restricted assets. This increase was caused by the Utility putting cash in the restricted gas enhancement fund for future projects. The increases in long-term liabilities were caused by increases in net pension liability due to current year actuarial activity.

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, 2021.

Table 2B  
**GAS SYSTEM**

			Increase (Decrease)	
	September 30, 2021	September 30, 2020	\$	%
Operating revenues	\$ 14,913,891	\$ 11,878,699	\$ 3,035,192	25.55%
Purchased gas	10,563,287	7,850,546	2,712,741	34.55%
Gross margin	4,350,604	4,028,153	322,451	8.00%
Other operating expenses	4,281,889	3,933,147	348,742	8.87%
Operating income (loss)	68,715	95,007	(26,291)	-27.67%
Other revenue (expenses)	7,395	102,638	(95,243)	-92.80%
Income (loss) before transfers	76,110	197,644	(121,534)	-61.49%
Transfer to Decatur general fund	(38,055)	(98,822)	(60,767)	-61.49%
Aid in construction	8,420	101,502	(93,082)	-91.70%
Change in net position	46,475	200,324	(153,849)	-76.80%
Net position - beginning	20,963,672	20,763,348	200,324	0.96%
Net position - ending	\$ 21,010,147	\$ 20,963,672	\$ 46,475	0.22%

From fiscal year 2020 to 2021, operating revenues increased 25.55% due to higher purchased gas component of rates. This was offset by a 34.55% increase in purchased gas cost. Net position increased 0.22% from the above mentioned facts.

The Water System's total Net Position increased by \$1.73 million for the fiscal year ended September 30, 2021. 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**

<b>CONDENSED STATEMENT OF NET POSITION</b>				
	September 30, 2021	September 30, 2020	Increase (Decrease)	
			\$	%
Current assets	\$ 11,504,095	\$ 12,123,451	\$ (619,356)	-5.11%
Restricted assets	10,473,373	3,084,665	7,388,708	239.53%
Capital assets	77,078,655	74,526,588	2,552,067	3.42%
Other assets	-	9,305	(9,305)	-100.00%
Total assets	<u>99,056,123</u>	<u>89,744,010</u>	<u>9,312,113</u>	10.38%
Deferred outflows of resources	<u>2,132,588</u>	<u>979,374</u>	<u>1,153,214</u>	117.75%
Current liabilities	1,645,207	1,701,191	(55,984)	-3.29%
Liabilities payable from				
restricted assets	1,254,078	947,952	306,126	32.29%
Long term liabilities	30,256,748	21,208,964	9,047,783	42.66%
Other liabilities	69,712	149,470	(79,758)	-53.36%
Total liabilities	<u>33,225,745</u>	<u>24,007,577</u>	<u>9,218,167</u>	38.40%
Deferred inflows of resources	<u>1,605,535</u>	<u>2,091,809</u>	<u>(486,273)</u>	-23.25%
Net investment in capital assets	68,330,694	64,513,869	3,816,825	5.92%
Restricted	392,008	2,953,827	(2,561,819)	-86.73%
Unrestricted	(2,365,271)	(2,843,698)	478,427	16.82%
Total net position	<u>\$ 66,357,431</u>	<u>\$ 64,623,998</u>	<u>\$ 1,733,432</u>	2.68%

The most significant changes from fiscal year 2020 to 2021 were an increase in restricted assets and long-term liabilities due to the Utility acquiring new debt to add to and replace current infrastructure and restricted the cash for the project as the project is ongoing.

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, 2021.

Table 3B  
**WATER SYSTEM**

	September 30, 2021	September 30, 2020	Increase (Decrease)	
			\$	%
Operating revenues	\$ 15,426,462	\$ 15,550,350	\$ (123,888)	-0.80%
Treatment expense	5,124,185	4,719,146	405,039	8.58%
Gross margin	10,302,277	10,831,204	(528,928)	-4.88%
Other operating expenses	7,953,584	7,465,915	487,669	6.53%
Operating income	2,348,693	3,365,289	(1,016,596)	-30.21%
Other revenue (expenses)	(486,235)	(221,856)	264,379	119.17%
Income before transfers	1,862,458	3,143,432	(1,280,975)	-40.75%
Transfer to Decatur general fund	(600,261)	(600,906)	(645)	-0.11%
Aid in construction	471,236	83,722	387,514	462.86%
Change in net position	1,733,433	2,626,249	(892,816)	-34.00%
Net position - beginning	64,623,998	61,997,749	2,626,249	4.24%
Net position - ending	\$ 66,357,431	\$ 64,623,998	\$ 1,733,433	2.68%

From fiscal year 2020 to 2021, operating revenues decreased 0.80% as a result of volumetric decreases coming from residential class. In addition to the decreases in usage treatment expense increased by 8.58%. Net position increased 2.68% from the prior year.

The Wastewater System's total Net Position increased by \$3.23 million for the fiscal year ended September 30, 2021. 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, 2021	September 30, 2020	\$	%
Current assets	\$ 15,023,939	\$ 11,037,362	\$ 3,986,577	36.12%
Restricted assets	164,709,400	7,390,190	157,319,210	2128.76%
Capital assets	138,243,255	136,148,847	2,094,408	1.54%
Other assets	1,698,113	1,856,851	(158,738)	-8.55%
Total assets	<u>319,674,707</u>	<u>156,433,250</u>	<u>163,241,457</u>	104.35%
Deferred outflows of resources	<u>3,063,125</u>	<u>754,221</u>	<u>2,308,903</u>	306.13%
Current liabilities	2,023,661	1,125,864	897,797	79.74%
Liabilities payable from				
restricted assets	4,919,713	2,623,543	2,296,170	87.52%
Long term liabilities	200,941,020	41,332,780	159,608,239	386.15%
Other liabilities	-	21,712	(21,712)	-100.00%
Total liabilities	<u>207,884,394</u>	<u>45,103,899</u>	<u>162,780,494</u>	360.90%
Deferred inflows of resources	<u>1,205,416</u>	<u>1,664,943</u>	<u>(459,527)</u>	-27.60%
Net investment in capital assets	105,331,847	100,153,040	5,178,807	5.17%
Restricted	269,415	7,216,648	(6,947,233)	-96.27%
Unrestricted	8,046,760	3,048,941	4,997,819	163.92%
Total net position	<u>\$ 113,648,022</u>	<u>\$ 110,418,629</u>	<u>\$ 3,229,393</u>	2.92%

The most significant changes from fiscal year 2020 to 2021 were an increase in restricted assets and long-term liabilities due to the Utility acquiring new debt to add to and replace current infrastructure and restricted the cash for the project as the project is ongoing.



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, 2021.

Table 4B  
**WASTEWATER SYSTEM**

	September 30, 2021	September 30, 2020	Increase (Decrease)	
			\$	%
Operating revenues	\$ 19,804,285	\$ 17,192,122	\$ 2,612,163	15.19%
Treatment expense	3,741,516	3,680,867	60,649	1.65%
Gross margin	16,062,769	13,511,255	2,551,514	18.88%
Other operating expenses	9,661,720	9,073,992	587,728	6.48%
Operating income	6,401,049	4,437,263	1,963,786	44.26%
Other revenue (expenses)	(2,815,727)	(878,365)	1,937,362	220.56%
Income before transfers	3,585,322	3,558,898	26,424	0.74%
Transfer to Decatur general fund	(797,406)	(845,713)	(48,307)	-5.71%
Aid in construction	441,477	1,060,996	(619,519)	-58.39%
Change in net position	3,229,393	3,774,182	(544,789)	-14.43%
Net position - beginning	110,418,629	106,644,447	3,774,182	3.54%
Net position - ending	\$ 113,648,022	\$ 110,418,629	\$ 3,229,393	2.92%

From fiscal year 2020 to 2021, operating revenues increased by 15.19% due to increased rates. Net position increased 2.92% 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, 2021. The analysis below focuses on the System's Net Position (Table 5A).

Table 5A

**ADMINISTRATIVE**

<b>CONDENSED STATEMENT OF NET POSITION</b>				
	September 30, 2021	September 30, 2020	Increase (Decrease)	
			\$	%
Current assets	\$ 6,505,571	\$ 5,960,583	\$ 544,988	9.14%
Restricted assets	232,590	360,020	(127,430)	-35.40%
Capital assets	1,886,684	2,213,476	(326,792)	-14.76%
Total assets	<u>8,624,845</u>	<u>8,534,079</u>	<u>90,766</u>	<u>1.06%</u>
Current liabilities	4,888,381	4,676,251	212,130	4.54%
Long term liabilities	11,687	-	11,687	100.00%
Other liabilities	171,841	304,893	(133,052)	-43.64%
Total liabilities	<u>5,071,909</u>	<u>4,981,143</u>	<u>90,765</u>	<u>1.82%</u>
Investment in capital assets	1,886,684	2,213,476	(326,792)	-14.76%
Restricted	232,590	360,020	(127,430)	-35.40%
Unrestricted	1,433,662	979,440	454,222	46.38%
Total net position	<u>\$ 3,552,936</u>	<u>\$ 3,552,936</u>	<u>\$ -</u>	<u>0.00%</u>

The most significant change from fiscal year 2020 to 2021 was an increase in current assets. The increase was related to an increase in cash.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2021, the Utility had \$287 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 \$4.76 million or 1.69% 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, 2021 and 2020. 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, 2021	September 30, 2020		
<b>Electric System</b>				
Land	\$ 714,760	\$ 714,760	\$ -	0.00%
Utility plant	93,163,945	91,351,111	1,812,834	1.98%
Construction in progress	819,560	733,112	86,448	11.79%
Less: Accumulated depreciation	(47,457,495)	(45,664,133)	1,793,362	3.93%
Net electric plant	<u>47,240,770</u>	<u>47,134,850</u>	<u>105,920</u>	<u>0.22%</u>
<b>Gas System</b>				
Land	124,816	124,816	-	0.00%
Utility plant	41,465,601	40,675,591	790,010	1.94%
Construction in progress	284,367	111,202	173,165	155.72%
Less: Accumulated depreciation	(19,227,771)	(18,598,282)	629,489	3.38%
Net gas plant	<u>22,647,013</u>	<u>22,313,327</u>	<u>333,686</u>	<u>1.50%</u>
<b>Water System</b>				
Land	532,168	532,168	-	0.00%
Utility plant	135,517,686	131,869,919	3,647,764	2.77%
Construction in progress	5,311,340	3,438,420	1,872,920	54.47%
Less: Accumulated depreciation	(64,282,538)	(61,313,919)	2,968,619	4.84%
Net water plant	<u>77,078,655</u>	<u>74,526,588</u>	<u>2,552,067</u>	<u>3.42%</u>
<b>Wastewater System</b>				
Land	1,628,772	1,628,772	-	0.00%
Utility plant	192,858,078	189,458,856	3,399,221	1.79%
Construction in progress	5,381,760	2,295,406	3,086,354	134.46%
Less: Accumulated depreciation	(61,625,355)	(57,234,188)	4,391,167	7.67%
Net wastewater plant	<u>138,243,255</u>	<u>136,148,847</u>	<u>2,094,408</u>	<u>1.54%</u>
<b>Administrative System</b>				
Land	71,407	71,407	-	0.00%
Buildings	5,580,087	6,127,575	(547,488)	-8.93%
Construction in progress	39,892	-	39,892	100.00%
Less: Accumulated depreciation	(3,804,702)	(3,985,506)	(180,804)	-4.54%
Net administration system	<u>\$ 1,886,684</u>	<u>\$ 2,213,476</u>	<u>\$ (326,792)</u>	<u>-14.76%</u>

### Debt Administration

The Utility has outstanding debt payable of \$209 million as of September 30, 2021. Principal payments are due in the upcoming fiscal year in the amount of \$5.12 million with interest payments totaling approximately \$5.30 million also due. Details relating to the debt can be found in Note 3E to the financial statements.

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

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

### CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

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

## **BASIC FINANCIAL STATEMENTS**

**MUNICIPAL UTILITIES BOARD OF DECATUR**  
**STATEMENT OF NET POSITION**  
September 30, 2021

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>	<u>(Memo Only)</u> <u>Total</u>
<b>Assets</b>						
Current assets						
Cash and cash equivalents	\$ 16,084,784	\$ 3,854,093	\$ 9,774,340	\$ 13,161,943	\$ 6,112,692	\$ 48,987,852
Receivables						
Accounts (net of allowance)	8,010,323	1,041,080	1,206,104	1,568,264	354,946	12,180,717
Other accounts receivable	372,729	22,456	37,593	30,916	12,781	476,475
City of Decatur	153,592	5,243	21,779	19,572	15,633	215,819
Current note receivable - other funds	-	-	-	170,619	-	170,619
Stored natural gas	-	173,671	-	-	-	173,671
Materials and supplies	1,376,821	171,965	444,334	57,889	-	2,051,009
Accrued utility revenue	1,364,695	-	-	-	-	1,364,695
Other current assets	6,389	252,945	19,945	14,736	9,519	303,534
Total current assets	<u>27,369,333</u>	<u>5,521,453</u>	<u>11,504,095</u>	<u>15,023,939</u>	<u>6,505,571</u>	<u>65,924,391</u>
Noncurrent assets						
Restricted cash and equivalents	<u>2,017,326</u>	<u>4,969,993</u>	<u>10,473,373</u>	<u>164,709,400</u>	<u>232,590</u>	<u>182,402,682</u>
Capital assets, not being depreciated						
Land	714,760	124,816	532,168	1,628,772	71,407	3,071,923
Work in process	819,560	284,367	5,311,340	5,381,760	39,892	11,836,919
Capital assets, net of accumulated depreciation						
Utility plant	<u>45,706,450</u>	<u>22,237,830</u>	<u>71,235,147</u>	<u>131,232,723</u>	<u>1,775,385</u>	<u>272,187,535</u>
Total capital assets	<u>47,240,770</u>	<u>22,647,013</u>	<u>77,078,655</u>	<u>138,243,255</u>	<u>1,886,684</u>	<u>287,096,377</u>
Other assets						
Energy service loans receivable	5,138,837	-	-	-	-	5,138,837
Long term note receivable - other funds	-	-	-	1,677,753	-	1,677,753
Other unearned credits	-	-	-	-	-	-
Other charges receivable	-	-	-	20,360	-	20,360
Total other assets	<u>5,138,837</u>	<u>-</u>	<u>-</u>	<u>1,698,113</u>	<u>-</u>	<u>6,836,950</u>
<b>Total assets</b>	<b><u>81,766,266</u></b>	<b><u>33,138,459</u></b>	<b><u>99,056,123</u></b>	<b><u>319,674,707</u></b>	<b><u>8,624,845</u></b>	<b><u>542,260,400</u></b>
<b>Deferred outflows of resources</b>						
Related to Pensions	2,197,629	863,332	1,575,715	1,251,498	-	5,888,174
Related to OPEB	46,017	22,850	39,792	30,782	-	139,441
Deferred cost on refunding	-	-	517,081	1,780,844	-	2,297,925
<b>Total deferred outflows of resources</b>	<b><u>2,243,646</u></b>	<b><u>886,182</u></b>	<b><u>2,132,588</u></b>	<b><u>3,063,125</u></b>	<b><u>-</u></b>	<b><u>8,325,540</u></b>
<b>Combined assets and deferred outflows of resources</b>	<b><u>\$ 84,009,912</u></b>	<b><u>\$ 34,024,641</u></b>	<b><u>\$ 101,188,711</u></b>	<b><u>\$ 322,737,831</u></b>	<b><u>\$ 8,624,845</u></b>	<b><u>\$ 550,585,940</u></b>

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

**MUNICIPAL UTILITIES BOARD OF DECATUR  
STATEMENT OF NET POSITION**

September 30, 2021

	<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	\$ 7,502,516	\$ 1,185,107	\$ 1,106,916	\$ 1,639,632	\$ 206,432	\$ 11,640,603
Due to City of Decatur general fund	-	38,055	60,030	80,777	378,583	557,445
Accrued payroll and other expense	458,846	248,323	478,261	303,252	13,479	1,502,161
Customer deposits	-	-	-	-	4,289,887	4,289,887
Total current liabilities	<u>7,961,362</u>	<u>1,471,485</u>	<u>1,645,207</u>	<u>2,023,661</u>	<u>4,888,381</u>	<u>17,990,096</u>
Liabilities payable from restricted assets						
Current maturities of revenue warrants	-	-	1,007,504	4,112,496	-	5,120,000
Current notes payable - other funds	-	-	170,619	-	-	170,619
Interest payable	-	-	75,955	807,217	-	883,172
Total liabilities payable from restricted assets	<u>-</u>	<u>-</u>	<u>1,254,078</u>	<u>4,919,713</u>	<u>-</u>	<u>6,173,791</u>
Noncurrent liabilities						
Long term debt payable, net of costs	-	-	17,745,867	192,431,681	-	210,177,548
Long term note payable - other funds	-	-	1,677,753	-	-	1,677,753
Compensated absences	379,152	164,624	276,229	265,626	-	1,085,631
Energy service loans payable	5,138,837	-	-	-	-	5,138,837
Net OPEB liability	7,038,089	2,157,891	4,470,049	3,564,626	11,687	17,242,342
Net pension liability	9,115,231	3,409,365	6,086,850	4,679,087	-	23,290,533
Other unearned credits	98,916	4,960,305	69,712	-	171,841	5,300,774
Total noncurrent liabilities	<u>21,770,225</u>	<u>10,692,185</u>	<u>30,326,460</u>	<u>200,941,020</u>	<u>183,528</u>	<u>263,913,417</u>
<b>Total liabilities</b>	<b><u>29,731,587</u></b>	<b><u>12,163,670</u></b>	<b><u>33,225,745</u></b>	<b><u>207,884,394</u></b>	<b><u>5,071,909</u></b>	<b><u>288,077,304</u></b>
<b>Deferred inflows of resources</b>						
Related to pensions	134,125	(17,302)	(11,898)	10,996	-	115,921
Related to OPEB	1,859,340	868,126	1,617,433	1,194,420	-	5,539,319
Total deferred inflows of resources	<u>1,993,465</u>	<u>850,824</u>	<u>1,605,535</u>	<u>1,205,416</u>	<u>-</u>	<u>5,655,240</u>
<b>Combined liabilities and deferred inflows of resources</b>	<b><u>31,725,052</u></b>	<b><u>13,014,494</u></b>	<b><u>34,831,280</u></b>	<b><u>209,089,809</u></b>	<b><u>5,071,909</u></b>	<b><u>293,732,545</u></b>
<b>Net position</b>						
Net investment in capital assets	47,240,770	22,647,013	68,330,694	105,331,847	1,886,684	245,437,007
Restricted	2,017,326	4,969,993	392,008	269,415	232,590	7,881,333
Unrestricted (deficit)	3,026,764	(6,606,859)	(2,365,271)	8,046,760	1,433,662	3,535,056
<b>Total net position</b>	<b><u>\$ 52,284,860</u></b>	<b><u>\$ 21,010,147</u></b>	<b><u>\$ 66,357,431</u></b>	<b><u>\$ 113,648,022</u></b>	<b><u>\$ 3,552,936</u></b>	<b><u>\$ 256,853,396</u></b>
<b>Total liabilities and net position</b>	<b><u>\$ 84,009,912</u></b>	<b><u>\$ 34,024,641</u></b>	<b><u>\$ 101,188,711</u></b>	<b><u>\$ 322,737,831</u></b>	<b><u>\$ 8,624,845</u></b>	<b><u>\$ 550,585,940</u></b>

*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, 2021

	<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)	\$ 88,564,801	\$ 14,770,355	\$ 14,360,592	\$ 18,208,622	\$ -	\$ 135,904,370
Other revenue	<u>1,141,073</u>	<u>143,536</u>	<u>1,065,870</u>	<u>1,595,663</u>	<u>-</u>	<u>3,946,142</u>
Total operating revenues	<u>89,705,874</u>	<u>14,913,891</u>	<u>15,426,462</u>	<u>19,804,285</u>	<u>-</u>	<u>139,850,512</u>
<b>Operating expenses</b>						
Costs of sales and services	74,398,307	10,563,287	5,124,185	3,741,516	-	93,827,295
Operations expenses	1,875,874	1,065,154	1,136,967	1,475,986	-	5,553,981
Maintenance expenses	2,375,662	252,097	407,951	627,981	-	3,663,691
Customer service expenses	808,686	349,258	594,700	356,551	-	2,109,195
Administrative expenses	3,157,826	1,642,521	2,498,023	2,298,366	-	9,596,736
Depreciation expense	<u>2,981,689</u>	<u>972,859</u>	<u>3,315,943</u>	<u>4,902,836</u>	<u>-</u>	<u>12,173,327</u>
Total operating expenses	<u>85,598,044</u>	<u>14,845,176</u>	<u>13,077,769</u>	<u>13,403,236</u>	<u>-</u>	<u>126,924,225</u>
Operating income (loss)	<u>4,107,830</u>	<u>68,715</u>	<u>2,348,693</u>	<u>6,401,049</u>	<u>-</u>	<u>12,926,287</u>
<b>Non-operating revenues (expenses)</b>						
Interest income	21,612	9,461	13,328	75,410	-	119,811
Other non-operating revenue	(16)	(4)	477	(6)	-	451
Amortization expense	-	-	(122,187)	91,792	-	(30,395)
Interest expense	(6,093)	(2,062)	(377,853)	(2,859,923)	-	(3,245,931)
Miscellaneous income deduction	<u>(12,786)</u>	<u>-</u>	<u>-</u>	<u>(123,000)</u>	<u>-</u>	<u>(135,786)</u>
Total non-operating revenues (expenses)	<u>2,717</u>	<u>7,395</u>	<u>(486,235)</u>	<u>(2,815,727)</u>	<u>-</u>	<u>(3,291,850)</u>
Income (loss) before transfers and contributions	<u>\$ 4,110,547</u>	<u>\$ 76,110</u>	<u>\$ 1,862,458</u>	<u>\$ 3,585,322</u>	<u>\$ -</u>	<u>\$ 9,634,437</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, 2021

	<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	\$ (1,886,797)	\$ (38,055)	\$ (600,261)	\$ (797,406)	\$ -	\$ (3,322,519)
Income (loss) before contributions	<u>2,223,750</u>	<u>38,055</u>	<u>1,262,197</u>	<u>2,787,916</u>	<u>-</u>	<u>6,311,918</u>
Capital contributions	<u>-</u>	<u>8,420</u>	<u>471,236</u>	<u>441,477</u>	<u>-</u>	<u>921,133</u>
<b>Change in net position</b>	<b>2,223,750</b>	<b>46,475</b>	<b>1,733,433</b>	<b>3,229,393</b>	<b>-</b>	<b>7,233,051</b>
Total net position - beginning	<u>50,061,110</u>	<u>20,963,672</u>	<u>64,623,998</u>	<u>110,418,629</u>	<u>3,552,936</u>	<u>249,620,345</u>
Total net position - ending	<u>\$ 52,284,860</u>	<u>\$ 21,010,147</u>	<u>\$ 66,357,431</u>	<u>\$ 113,648,022</u>	<u>\$ 3,552,936</u>	<u>\$ 256,853,396</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, 2021

	<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	\$ 89,485,757	\$ 14,494,813	\$ 15,239,307	\$ 19,334,925	\$ -	\$ 138,554,802
Cash paid to suppliers for goods and services	(77,088,823)	(9,895,984)	(5,683,005)	(3,459,611)	375,527	(95,751,896)
Cash paid to employees for services	(5,529,002)	(2,502,100)	(4,480,062)	(4,244,277)	-	(16,755,441)
Net change in energy service loans payable	771,657	-	-	-	-	771,657
Net change in energy service loans receivable	(771,657)	-	-	-	-	(771,657)
Interest paid on customer deposits	-	-	-	-	6,026	6,026
Net change in customer deposits	-	-	-	-	161,469	161,469
Net cash provided (used) by operating activities	<u>6,867,932</u>	<u>2,096,729</u>	<u>5,076,240</u>	<u>11,631,037</u>	<u>543,022</u>	<u>26,214,960</u>
Cash flows from non-capital related financing activities						
Advances between funds	-	-	(167,698)	167,698	-	-
Operating transfer out - City of Decatur & tax equivalents	<u>(1,886,797)</u>	<u>(38,055)</u>	<u>(600,261)</u>	<u>(797,406)</u>	-	<u>(3,322,519)</u>
Net cash provided (used) by non-capital financing activities	<u>(1,886,797)</u>	<u>(38,055)</u>	<u>(767,959)</u>	<u>(629,708)</u>	-	<u>(3,322,519)</u>
Cash flows from capital and related financing activities:						
Construction and acquisition of capital assets	(3,334,450)	(1,359,003)	(5,915,037)	(7,206,509)	(80,059)	(17,895,058)
Capital contributed by customers	-	8,420	471,236	441,477	-	921,133
Proceeds from Issuance of debt	-	-	17,779,750	185,915,250	-	203,695,000
Principal paid on debt	-	-	(9,678,366)	(27,055,932)	-	(36,734,298)
Interest paid on debt	<u>(6,093)</u>	<u>(2,062)</u>	<u>(432,737)</u>	<u>(2,226,249)</u>	-	<u>(2,667,141)</u>
Net cash provided (used) by capital and related financing activities	<u>(3,340,543)</u>	<u>(1,352,645)</u>	<u>2,224,846</u>	<u>149,868,037</u>	<u>(80,059)</u>	<u>147,319,636</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, 2020

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>	<u>(Memo Only)</u> <u>Totals</u>
Cash flows from investing activities:						
Decrease (increase) in restricted assets	(717,789)	(1,317,399)	(7,388,708)	(157,319,210)	127,429	(166,615,677)
Income (expense) from other non-operating revenue	(12,803)	(4)	478	(123,006)	-	(135,336)
Interest received	21,612	9,462	13,328	75,410	-	119,812
Net cash provided (used) by investing activities	<u>(708,980)</u>	<u>(1,307,941)</u>	<u>(7,374,902)</u>	<u>(157,366,806)</u>	<u>127,429</u>	<u>(166,631,201)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>931,612</b>	<b>(601,912)</b>	<b>(841,775)</b>	<b>3,502,559</b>	<b>590,392</b>	<b>3,580,876</b>
Cash and cash equivalents - beginning	<u>15,153,172</u>	<u>4,456,005</u>	<u>10,616,115</u>	<u>9,659,384</u>	<u>5,522,300</u>	<u>45,406,976</u>
Cash and cash equivalents - ending	<u>\$ 16,084,784</u>	<u>\$ 3,854,093</u>	<u>\$ 9,774,340</u>	<u>\$ 13,161,943</u>	<u>\$ 6,112,692</u>	<u>\$ 48,987,852</u>
Cash and cash equivalents						
Unrestricted cash and cash equivalent	<u>16,084,784</u>	<u>3,854,093</u>	<u>9,774,340</u>	<u>13,161,943</u>	<u>6,112,692</u>	<u>48,987,852</u>
<b>Total cash and cash equivalents</b>	<b>\$ 16,084,784</b>	<b>\$ 3,854,093</b>	<b>\$ 9,774,340</b>	<b>\$ 13,161,943</b>	<b>\$ 6,112,692</b>	<b>\$ 48,987,852</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, 2021

	<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)	\$ 4,107,830	\$ 68,715	\$ 2,348,693	\$ 6,401,049	\$ -	\$ 12,926,287
Adjustments to reconcile operating income to net cash provided by operating activities						
Depreciation expense	3,228,530	1,025,317	3,362,970	5,112,101	406,851	13,135,769
Pension contributions in excess of actuarially determined pension expense	438,068	188,008	331,701	275,676	-	1,233,453
OPEB contributions in excess of actuarially determined OPEB expense	(696,585)	(362,924)	(607,615)	(586,217)	-	(2,253,341)
Changes in assets and liabilities:						
Receivables	(384,355)	(417,356)	(185,930)	(466,149)	14,873	(1,438,917)
Due from City	(15,974)	(1,722)	(1,226)	(3,211)	(4,335)	(26,468)
Unbilled revenues	180,212	-	-	-	-	180,212
Materials and supplies	(136,195)	18,540	(34,230)	(10,452)	-	(162,337)
Energy service loans receivable	(771,657)	-	-	-	-	(771,657)
Energy service loans payable	771,657	-	-	-	-	771,657
Other current assets (prepaid)	(633)	(203,544)	(1,034)	(697)	34,867	(171,041)
Other charges	-	477	9,305	(12,465)	-	(2,683)
Accounts payable and other accruals	158,127	462,829	(74,206)	936,728	76,629	1,560,109
Due to City	(24)	(1,339)	7,570	6,385	(20,307)	(7,715)
Customer deposits	-	-	-	-	167,495	167,495
Other credits	(11,069)	1,319,728	(79,758)	(21,712)	(133,052)	1,074,137
Net cash provided (used) by operating activities	<u>\$ 6,867,932</u>	<u>\$ 2,096,729</u>	<u>\$ 5,076,240</u>	<u>\$ 11,631,037</u>	<u>\$ 543,022</u>	<u>\$ 26,214,960</u>

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

**MUNICIPAL UTILITIES BOARD OF DECATUR**  
**STATEMENT OF FIDUCIARY NET POSITION - OPEB PLAN**  
September 30, 2021

		<u>2021</u>
Assets		
Cash and cash equivalents	\$	1,069,381
Miscellaneous accounts receivable		300
Investments		
Equity		6,237,777
Balanced		357,251
Fixed		1,511,337
Other exchange products		434,282
Total investments		<u>8,540,647</u>
Net position available for benefits		9,610,328
Liabilities		<u>11,987</u>
<b>Net position restricted for pensions</b>	<b>\$</b>	<b><u>9,598,341</u></b>

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

**MUNICIPAL UTILITIES BOARD OF DECATUR**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - OPEB PLAN**  
For the Year Ended September 30, 2021

	<b>2021</b>
<b>Additions</b>	
Contributions	
Employer	\$ 1,741,315
Investment income	
Interest and Dividend income	96,186
Realized gains (loss)	113,552
Net appreciation(loss) in fair value of investments	174,122
Total investment income	383,860
Total additions	2,125,175
<b>Deductions</b>	
Benefit payments	787,289
Administrative expenses	26,870
Total deductions	814,160
 <b>Net change in fiduciary net position</b>	 <b>1,311,015</b>
 <b>Net position restricted for pensions</b>	
Beginning of year	8,287,326
End of year	\$ 9,598,341

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

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

September 30, 2021

**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.

Additionally, the government reports the following fiduciary funds:

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

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

September 30, 2021

**C. Pensions**

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

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

**Revenue Recognition**

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

**Deposits and investments**

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

**Receivables and payables**

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

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

**Materials and Supplies**

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

**Other Current Assets**

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

**Stored Natural Gas**

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

**Restricted assets**

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

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

September 30, 2021

**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, 2021

**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**

**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.

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

September 30, 2021

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

**A. Deposits and Investments**

Decatur Utilities pools cash bank deposits for all systems. At fiscal year end, the carrying amount of book balance was \$231,380,135. The bank balances were \$231,144,473. 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 2021 Water and Wastewater system, listed in Note 3E were held by Decatur Utilities' financial institutions' trust department or agent in Decatur Utilities' name as restricted assets for the bond indentures. At year-end the investments' carrying amounts are stated at their approximate fair value. The Funds are invested in US Treasury Obligations and are secured by trust agreements associated with the bond issues.

The Series 2020 and 2021 Wastewater and Water System Warrant Funds are invested in a bank investment account, which is covered by the State of Alabama through the Security for Alabama Funds Enhancement Act (SAFE) program. Additionally, the Warrant Fund is a trust account held in Decatur Utilities' name as required by the bond indenture.

**OPEB Plan**

The following are the asset allocations as of September 30, 2021.

	Market Value	Percentage of Total
Equities	\$ 6,237,777	73.04%
Balanced	357,251	4.18%
Fixed income	1,511,337	17.70%
Other Exchange	434,282	5.08%
Total	\$ 8,540,647	100.00%

The following investments represent more than 5% of the fiduciary net position and are not issued or explicitly guaranteed by the U.S. government at September 30, 2021:

AQR Diversified Arbitrage Class I	\$ 463,856
PIMCO Trends Managed Futures Strgy	470,299
Ishares Trust United States	495,820
Ishares Core US Aggregate Bond ETF	595,351

For the years ended September 2021 the annual money-weighted rate of return on other post-employment benefits plan investments, net of OPEB plan investment expense, was 4.21 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Fair Value Measurements:* The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of September 30, 2021:

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

September 30, 2021

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Equity securities				
Mutual funds	\$ 4,859,789	\$ 4,859,789	\$ -	\$ -
Exchange Trade Products	835,629	835,629	-	-
Common stocks	542,358	542,358	-	-
Total equity securities	<u>\$ 6,237,777</u>	<u>\$ 6,237,777</u>	<u>\$ -</u>	<u>\$ -</u>
Balanced funds	357,251	357,251	-	-
Fixed	1,511,337	1,511,337	-	-
Other exchange products	434,282	434,282	-	-
Total Investments at fair value	<u>\$ 8,540,647</u>	<u>\$ 8,540,647</u>	<u>\$ -</u>	<u>\$ -</u>

**B. Receivables**

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

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>
Customer accounts receivable	\$ 12,059,224	\$ 1,468,597	\$ 1,606,259	\$ 2,012,518	\$ 354,946
Allowance	(4,048,901)	(427,518)	(400,155)	(444,255)	-
Net accounts receivable	<u>\$ 8,010,323</u>	<u>\$ 1,041,080</u>	<u>\$ 1,206,104</u>	<u>\$ 1,568,264</u>	<u>\$ 354,946</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

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

September 30, 2021

collects and pays a monthly sum equal to \$.0205 per 1000 gallons of wastewater charged to all customers to the City General fund. In addition, the Wastewater System collects and pays \$.1350 per 1000 gallons of wastewater charged to customers to the Sewer Revolving Fund, a City Debt Service fund, as well as \$.0500 per 1000 gallons for the Sewer Enhancement Fund. The Sewer Enhancement Fund is held on the books of the Utilities' Administrative System. It is to be used for the enhancement and/or expansion of the sewer infrastructure and facilities operated by the Utility upon request of either the Municipal Utilities Board and/or the City Council of Decatur, with the written consent by resolution of the other. The balance in the Sewer Enhancement Fund at September 30, 2021 is \$227,590.

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	\$ 153,592	\$ -
Gas	5,243	38,055
Water	21,779	60,030
Sewer	19,572	80,777
Administrative (Garbage)	15,633	378,583
Total	\$ 215,819	\$ 557,445

**D. Capital Assets**

Capital asset activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Electric System</b>				
Land	\$ 714,760	\$ -	\$ -	\$ 714,760
Utility Plant	91,351,111	3,051,892	(1,239,058)	93,163,945
Construction in progress	733,112	6,420,203	(6,333,755)	819,560
Less: Accumulated depreciation	(45,664,133)	(3,243,041)	1,449,678	(47,457,495)
Net Electric Plant	\$ 47,134,850	\$ 6,229,055	\$ (6,123,135)	\$ 47,240,770
<b>Gas System</b>				
Land	\$ 124,816	\$ -	\$ -	\$ 124,816
Utility Plant	40,675,591	1,148,050	(358,040)	41,465,601
Construction in progress	111,202	3,256,409	(3,083,244)	284,367
Less: Accumulated depreciation	(18,598,282)	(1,024,549)	395,060	(19,227,771)
Net Gas Plant	\$ 22,313,327	\$ 3,379,910	\$ (3,046,224)	\$ 22,647,013
<b>Water System</b>				
Land	\$ 532,168	\$ -	\$ -	\$ 532,168
Utility Plant	131,869,919	3,838,478	(190,711)	135,517,686
Construction in progress	3,438,420	13,451,311	(11,578,391)	5,311,340
Less: Accumulated depreciation	(61,313,919)	(3,362,970)	394,350	(64,282,538)
Net Water Plant	\$ 74,526,588	\$ 13,926,819	\$ (11,374,752)	\$ 77,078,655

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

September 30, 2021

**Wastewater System**

Land	\$ 1,628,772	\$ -	\$ -	\$ 1,628,772
Utility Plant	189,458,856	3,552,744	(153,523)	192,858,078
Construction in progress	2,295,406	15,245,595	(12,159,241)	5,381,760
Less: Accumulated depreciation	<u>(57,234,188)</u>	<u>(5,113,484)</u>	<u>722,317</u>	<u>(61,625,355)</u>
Net Wastewater Plant	<u>\$ 136,148,847</u>	<u>\$ 13,684,855</u>	<u>\$ (11,590,447)</u>	<u>\$ 138,243,255</u>

**Administrative System**

Land	\$ 71,407	\$ -	\$ -	\$ 71,407
Buildings	6,127,575	40,167	(587,655)	5,580,087
Construction in progress	-	128,681	(88,789)	39,892
Less: Accumulated depreciation	<u>(3,985,506)</u>	<u>(406,851)</u>	<u>587,655</u>	<u>(3,804,702)</u>
Net Administration Plant	<u>\$ 2,213,476</u>	<u>\$ (238,003)</u>	<u>\$ (88,789)</u>	<u>\$ 1,886,684</u>

Depreciation expense amounted to \$12,173,327 charged to operations and \$962,442 charged to other operating accounts and construction in progress in 2021.

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>\$ 2,981,689</u>	<u>\$ 972,859</u>	<u>\$ 3,315,943</u>	<u>\$ 4,902,836</u>	<u>\$ -</u>
Depreciation allocated to other operating accounts and construction in progress	<u>246,841</u>	<u>52,458</u>	<u>47,027</u>	<u>209,265</u>	<u>406,851</u>
Depreciation expense per the Statement of Cash Flows	<u>\$ 3,228,530</u>	<u>\$ 1,025,317</u>	<u>\$ 3,362,970</u>	<u>\$ 5,112,101</u>	<u>\$ 406,851</u>

**E. Long-term Debt**

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

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

The Utility has a \$5,000,000 line of credit with Renasant Bank with a variable per annum rate of interest equal to Wall Street prime minus one percent (1.00%). The line of credit expires on September 25, 2022. The balance outstanding of September 30, 2021 is \$0.

**Electric and Gas Systems**

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

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

September 30, 2021

**Water System Debt**

Decatur Utilities and the City issues revenue bonds primarily to finance improvements to the Water System. These bonds are being repaid from revenues derived by Decatur Utilities from the operation of the System after payment of the reasonable and necessary expenses of maintaining the operating system. The 2020 bonds were issued at \$9,374,750. The 2021 Series A bonds were issued at \$8,405,000. Total bonds outstanding at September 30, 2021 were \$17,214,448 at interest rates ranging from 0.50% to 4.00%. The bonds are expected to mature in 2033 and 2040. The System's unamortized debt expense at September 30, 2021 was \$1,021,842.

On November 19, 2020, the Utility issued \$9,374,750 Tax Water and Sewer Revenue Warrants, Series 2020 with an average coupon of 1.78%. The Utility issued the bonds to refund total debt service of \$10,155,000 of the outstanding series Water Series 2013 and the Water Series 2012/SRF with a true interest rate cost of 1.89%. The Utility used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2013 series and the 2012 SRF series bonds. As a result, that portion of the 2013 series and 2012 SRF series bonds are considered defeased, and the Utility has removed the liabilities from its accounts. The outstanding principal of the defeased bonds is \$9,505,000 at September 30, 2021.

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

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$557,148. The difference is reported in deferred outflows of resources in the accompanying Statement of Net Position and is being charged to operations through fiscal year 2033 using the straight-line method. Unamortized deferred cost of the Series 2020 Bonds totaled \$517,081 as of September 30, 2021.

The Wastewater System loaned to the Water System \$2,212,204, with funds made available to the System. Total loans outstanding at September 30, 2021 was \$1,848,372. The loan is expected to mature in 2031.

	<u>10/1/2020</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>9/30/2021</u>	<u>Current</u>
Water Series 2012/SRF	350,000	-	350,000	-	-
Water Series 2013	9,805,000	-	9,805,000	-	-
Water Series 2020	-	9,374,750	365,302	9,009,448	702,504
Water Series 2021	-	8,405,000	200,000	8,205,000	305,000
Premiums and Discounts	(142,281)	1,599,084	(82,120)	1,538,923	-
<b>Total</b>	<u>10,012,719</u>	<u>19,378,834</u>	<u>10,638,182</u>	<u>18,753,371</u>	<u>1,007,504</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 2019 bonds were issued at \$9,465,000. The 2020 bonds were issued at \$25,655,250. The 2021 Series A bonds were issued at \$64,445,000. The 2021 Series B bonds were issued at \$95,815,000. Total bonds outstanding from Series 2019, 2020, 2021A, and 2021B issues at September 30, 2021 were \$191,915,552 at interest rates ranging from

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0.17% to 4.00%. The bonds are expected to mature in 2031, 2033, 2051 and 2045. The System's unamortized debt expense at September 30, 2021 was \$2,847,781.

On November 19, 2020, the Utility issued \$25,655,250 Tax Water and Sewer Revenue Warrants, Series 2020 with an average coupon of 1.78%. The Utility issued the bonds to refund total debt service of \$27,150,000 of the outstanding series Wastewater Series 2013 and the Wastewater Series 2012/SRF with a true interest rate cost of 1.89%. The Utility used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2013 series and the Series 2012 SRF bonds. As a result, that portion of the 2013 series and the 2012 SRF series bonds are considered defeased, and the Utility has removed the liabilities from its accounts. The outstanding principal of the defeased bonds is \$25,415,000 at September 30, 2021.

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

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,918,837. The difference is reported in deferred outflows of resources in the accompanying Statement of Net Position and is being charged to operations through fiscal year 2033 using the straight-line method. Unamortized deferred cost of the Series 2020 Bonds totaled \$1,780,844 as of September 30, 2021.

	10/1/2020	Additions	Principal Payments	9/30/2021	Current
<b>Bonds:</b>					
Wastewater Series 2012/SRF	610,000	-	610,000	-	-
Wastewater Series 2013	26,540,000	-	26,540,000	-	-
Wastewater Series 2019	8,745,000	-	715,000	8,030,000	730,000
Wastewater Series 2020	-	25,655,250	999,698	24,655,552	1,922,496
Wastewater Series 2021A	-	64,445,000	540,000	63,905,000	130,000
Wastewater Series 2021B	-	95,815,000	490,000	95,325,000	1,330,000
Premiums and Discounts	100,806	4,757,603	229,784	4,628,625	-
<b>Total</b>	<u>35,995,806</u>	<u>190,672,853</u>	<u>30,124,482</u>	<u>196,544,177</u>	<u>4,112,496</u>

Future maturities of debt across all systems are as follows:

Year ending September 30,	Principal	Interest	Total
2022	\$ 5,120,000	\$ 5,299,028	\$ 10,419,028
2023	5,165,000	5,251,642	10,416,642
2024	5,220,000	5,198,019	10,418,019
2025	5,285,000	5,133,810	10,418,810
2026	5,355,000	5,062,280	10,417,280
2027-2031	28,250,000	23,839,982	52,089,982
2032-2036	31,410,000	20,677,662	52,087,662
2037-2041	35,495,000	16,594,619	52,089,619
2042-2046	40,505,000	11,582,291	52,087,291
2047-2051	47,325,000	4,759,816	52,084,816
	<u>\$ 209,130,000</u>	<u>\$ 103,399,150</u>	<u>\$ 312,529,150</u>

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**F. Net Position**

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

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>
Net invested in capital assets	\$47,240,770	\$22,647,013	\$68,330,694	\$ 105,331,847	\$ 1,886,684
Restricted	2,017,326	4,969,993	392,008	269,415	232,590
Unrestricted (deficit)	3,026,764	(6,606,859)	(2,365,271)	8,046,760	1,433,662
Total net position	<u>\$52,284,860</u>	<u>\$21,010,147</u>	<u>\$66,357,431</u>	<u>\$ 113,648,022</u>	<u>\$ 3,552,936</u>

**G. Restricted Assets**

The restricted assets consist of the following:

<b>Electric System</b>	<b><u>September 30, 2021</u></b>
Schedule of restricted assets	
Medical and Life Fund	514,980
Electric Partnership Credit Fund	1,502,346
Total Restricted Assets	<u>\$ 2,017,326</u>

<b>Gas System</b>	<b><u>September 30, 2021</u></b>
Schedule of restricted assets	
Medical and Life Fund	205,437
Restricted for future capital projects	4,764,556
Total Restricted Assets	<u>\$ 4,969,993</u>

<b>Water System</b>	<b><u>September 30, 2021</u></b>
Series 2021A Series Warrant Fund:	
Bank Investment Account	
(variable interest rate)	\$ 10,005,410
Series 2020 and 2021A Series Warrant Fund:	
U.S. Treasury Obligation Fund	
(variable interest rate)	121,794
Medical and Life Fund	346,168
Total Restricted Assets	<u>\$ 10,473,373</u>

<b>Wastewater System</b>	<b><u>September 30, 2021</u></b>
Series 2019, 2020, 2021A and 2021B Series Warrant Fund:	
Bank Investment Account	
(interest yield at federal fund rate)	\$ 164,453,605
Medical and Life Fund	255,795
Total Restricted Assets	<u>\$ 164,709,400</u>



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<b>Administrative System</b>	<b><u>September 30, 2021</u></b>
Schedule of restricted assets	
Workman's Compensation - funds on deposit held by insurance administrator	5,000
Sewer enhancement fund	227,590
Total Restricted Assets	<u>\$ 232,590</u>

**H. Unbilled Revenue**

The Electric System, upon recommendation from TVA, records unbilled revenue as of September 30 each year to record kWh which have been charged to Decatur Utilities but not yet billed to the consumers. This unbilled revenue adjustment enables Decatur Utilities to more adequately match revenue and expenses relating to this purchased power. Decatur Utilities will leave the unbilled revenue accrual throughout the fiscal year and will adjust the amount annually at September 30th of each successive year. The balance at September 30, 2021 is \$1,364,695.

**I. Accrued Leave**

Accrued PTO at September 30, 2021 is as follows:

	<b><u>September 30, 2021</u></b>
Electric	\$ 379,152
Gas	164,624
Water	276,229
Wastewater	265,626
Administrative	-
	<u>\$ 1,085,631</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

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interruptible customers). The balance in the account at December 1 is used to adjust the subsequent year's price.

**NOTE 4 – OTHER INFORMATION**

**A. Pension Plan**

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

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

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

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

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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 equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

The ERS serves approximately 853 local participating employers. The ERS membership includes approximately 101,245 participants. As of September 30, 2020, membership consisted of:

	<b>Utility</b>
Retired beneficiaries currently receiving benefits	\$ 121
Terminated employees entitled to but not yet receiving benefit	7
Terminated employees not entitled to a benefit	21
Active members	178
Post-DROP retired members still in active service	-
<b>Total</b>	<b>\$ 327</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 8.25% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

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

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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, 2021, the Utility's active employee contribution rate was 5% of covered employee payroll for tier 1 employees and 7.5% of covered employee payroll for tier 2 employees, and the Utility's average contribution rate to fund the normal and accrued liability costs was 200.06 percent of covered employee payroll.

The Utility's contractually required contribution rate for the year ended September 30, 2021 was 14.19% of pensionable pay for Tier 1 employees, and 12.58% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2017, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$1,695,643 for the year ended September 30, 2021.

*Net Pension Liability*

The Utility's net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019 rolled forward to September 30, 2020 using standard roll-forward techniques as shown in the following table:

	Expected	Actual
<b>Total Pension Liability</b> as of September 30, 2019 (a)	\$ 56,530,865	\$ 58,801,998
<b>Discount Rate (b)</b>	7.70%	7.70%
<b>Entry Age Normal Cost for</b> October 1, 2019 - September 30, 2020 (c)	\$ 840,218	\$ 840,218
<b>Transfers Among Employees (d)</b>	\$ -	\$ (10,534)
<b>Actual Benefit Payments and Refunds for</b> October 1, 2019 - September 30, 2020 (e)	\$ (3,493,226)	\$ (3,493,226)
<b>Total Pension Liability (f)</b> as of September 30, 2020 [(a) x (1+(b))] + (c) + (d) + [e x (1+.5 x (b))]	\$ 58,096,244	\$ 60,531,721
<b>Difference between expected and actual</b> experience (Gain)/Loss (g)		\$ 2,435,477
<b>Less Liability Transferred for Immediate</b> recognition		\$ (10,534)
<b>Experience (Gain)/Loss = (g) - (h)</b>		\$ 2,446,011

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Actuarial assumptions: The total pension liability as of September 30, 2020 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2019. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return*	7.70%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the actuarial valuation as of September 30, 2018, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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

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

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

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

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*Changes in Net Pension Liability:*

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 9/30/2019</b>	\$ 56,530,865	\$ 36,962,734	\$ 19,568,131
Changes for the year:			
Service cost	840,218	-	840,218
Interest	4,218,387	-	4,218,387
Change of assumptions	355,337	-	355,337
Differences between expected and actual experience	2,446,011	-	2,446,011
Contributions - employer	-	1,479,041	(1,479,041)
Contributions - employee	-	587,421	(587,421)
Net investment income	-	2,071,088	(2,071,088)
Benefit payments, including refunds of employee contributions	(3,493,226)	(3,493,226)	-
Administrative expense	-	-	-
Transfers among employers	(10,534)	(10,534)	-
Net changes	4,356,193	633,790	3,722,402
<b>Balances at 9/30/2020</b>	<u>\$ 60,887,058</u>	<u>\$ 37,596,524</u>	<u>\$ 23,290,533</u>

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

	1% Decrease (6.70 %)	Current Rate (7.70 %)	1% Increase (8.70 %)
Utility's net pension liability	\$ 29,827,143	\$ 23,290,533	\$ 17,733,782

*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, 2020. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2020. The auditor's report dated April 30, 2021 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/](http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/).

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

For the year ended September 30, 2021, the Utility recognized pension expense of \$2,938,703. At September 30, 2021, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

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	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,816,128	\$ 115,922
Changes of assumptions	199,043	-
Net difference between projected and actual earnings on pension plan investments	1,177,361	-
Employer contributions subsequent to the measurement date	1,695,643	-
Total	\$ 5,888,175	\$ 115,922

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:	
2022	\$ 945,518
2023	1,229,854
2024	1,257,999
2025	643,239
2026	-
Thereafter	-

**B. Risk Management**

The Utility is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended September 30, 2021, 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 \$5,138,837 and the outstanding balance due to TVA for collection of the loans was also \$5,138,837.

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, 2021 contract commitments total \$1,962,800 for fiscal year 2022, \$2,060,000 for fiscal year 2023, \$2,423,950 for fiscal year 2024, \$2,489,100 for fiscal year 2025 and \$1,796,100 for fiscal year 2026. At December 31, 2021 an additional outstanding commitment was made for \$428,300 for fiscal year 2022.

Decatur Utilities entered into a 30-year agreement with the Lower Alabama Gas District for the supply of 448 to 2596 MMBtu of natural gas per day at an index-based price. This agreement began December 1, 2020 and will expire November 30, 2050

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**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, 2021 include:

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

**Annual OPEB Cost and Net OPEB Obligation**

*Changes in System's Net OPEB Liability.* Changes in the System's net OPEB liability measured at September 30, 2021 are detailed in the following tables. Table 1A shows the net OPEB liability as of September 30, 2021, 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, 2021 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, 2020	\$ 26,103,086	\$ 8,287,326	\$ 17,815,760
Service Cost	387,319	-	387,319
Interest	1,157,651	-	1,157,651
Difference Between Actual and Expected Experiences	-	-	-
Changes of assumptions	-	-	-
Net Investment Income	-	-	-
Contributions - Employer	-	1,741,315	(1,741,315)
Contributions - members	-	-	-
Net investment income	-	377,073	(377,073)
Benefit Payments	(787,289)	(787,289)	-
Administrative Expense	-	-	-
Net Changes	<u>757,681</u>	<u>1,331,099</u>	<u>(573,418)</u>
Total OPEB Liability(TOL) September 30, 2021	<u>\$ 26,860,767</u>	<u>\$ 9,618,425</u>	<u>\$ 17,242,342</u>



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**Actuarial Methods and Assumptions**

The valuation was based on information provided by the Utility as of October 1, 2020 and only those not frozen in the defined benefit plan.

**Plan Membership**

Number of Participants	
Actives (with medical coverage)	152
Actives (without medical coverage)	15
Retirees (with medical coverage)	92
Retirees (without medical coverage)	45
Total Participants	304
Annual Projected Payroll	\$ 10,840,661
Average Projected Earnings	\$ 64,914

**Benefits Provided**

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

**Actuarial assumptions**

The total OPEB liability was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.50%
Health Trend	Medical: 7.25% to grade uniformly to 6.50% over a 3 year period. Dental: 5.0% per annum
Actuarial Cost Method	Entry age normal

Mortality rates were based on the RP-2014 annuity for healthy males and RP-2014 annuity for healthy females with generational mortality improvement to current year under Projection Scale MP-2019.

The actuarial assumptions used in the September 30, 2021 valuation were based on the results of an actuarial experience study for the period ending October 1, 2020.

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

September 30, 2021

**Discount rate**

The discount rate used to measure the total OPEB liability was 4.55 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 6.25% decreasing to 3.00%	Current 7.25% decreasing to 4.00%	1% Increase 8.25% decreasing to 5.00%
Total OPEB Liability	\$ 23,546,170	\$ 26,860,767	\$ 30,926,229
Plan Fiduciary Net Position	9,618,425	9,618,425	9,618,425
Net OPEB Liability	<u>13,927,745</u>	<u>17,242,342</u>	<u>21,307,804</u>

**Sensitivity of Net OPEB Liability to Changes in the Discount Rate**

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

	1% Decrease 3.55%	Current 4.55%	1% increase 5.55%
Net OPEB Liability	\$ 30,625,310	\$ 26,860,767	\$ 23,765,862
Plan Fiduciary Net Position	9,618,425	9,618,425	9,618,425
Net OPEB Liability	<u>21,006,885</u>	<u>17,242,342</u>	<u>14,147,437</u>

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

For the year ended September 30, 2021, the System recognized OPEB expense of \$255,792. At September 30, 2021, the System reported deferred outflows of related to OPEB liability from the following sources:

	<u>September 30, 2021</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 139,441	\$ 2,787,479
Change of assumptions	-	2,751,840
Post-measurement contribution	-	-
Total	<u>\$ 139,441</u>	<u>\$ 5,539,319</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows as of the fiscal year ending September 30, 2021:

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

September 30, 2021

Year ending June 30,	Amortized
2022	(1,908,389)
2023	(1,908,389)
2024	(1,269,651)
2025	(313,448)
2026	-
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, 2021 no benefits were payable and not paid.

*Administrative Expenses.* Qualified Plan administrative expenses are paid by the Plan. During the year ended September 30, 2021 administrative expenses paid were \$0.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

September 30, 2021

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>							
Service cost	\$ 840,218	\$ 830,571	\$ 785,826	\$ 765,318	\$ 762,211	\$ 735,009	\$ 719,118
Interest	4,218,387	4,049,796	3,861,606	3,777,084	3,701,363	3,669,670	3,551,873
Changes in benefit terms	355,337	-	-	-	-	-	-
Differences between actual & expected experience	2,446,011	675,369	976,957	(414,798)	(37,776)	(1,104,264)	-
Change of assumptions	-	-	272,995	-	1,011,888	-	-
Benefit payments, including refunds of employee contributions	(3,493,226)	(3,365,784)	(3,112,066)	(2,878,582)	(3,069,854)	(2,738,647)	(2,858,415)
Transfers among employees	(10,534)	63,270	109,124	(41,676)	6,054	-	-
<b>Net change in total pension liability</b>	<b>4,356,193</b>	<b>2,253,222</b>	<b>2,894,442</b>	<b>1,207,346</b>	<b>2,373,886</b>	<b>561,768</b>	<b>1,412,576</b>
Total pension liability - beginning	56,530,865	54,277,643	51,383,201	50,175,855	47,801,969	47,240,201	45,827,625
Total pension liability - ending (a)	<u>60,887,058</u>	<u>56,530,865</u>	<u>54,277,643</u>	<u>51,383,201</u>	<u>50,175,855</u>	<u>47,801,969</u>	<u>47,240,201</u>
<b>Plan fiduciary net position</b>							
Contributions - employer	1,479,041	1,457,804	1,440,567	1,415,404	1,451,760	1,481,898	1,439,683
Contributions - employee	587,421	591,191	547,638	533,792	517,917	588,751	478,274
Net investment income	2,071,088	941,061	3,200,475	4,038,012	3,010,348	357,511	3,314,923
Benefit payments, including refunds of employee contributions	(3,493,226)	(3,365,784)	(3,112,066)	(2,878,582)	(3,069,854)	(2,738,647)	(2,858,415)
Transfers among employees	(10,534)	63,270	109,124	(41,675)	6,054	(103,901)	96,722
<b>Net change in plan fiduciary net position - beginning</b>	<b>633,790</b>	<b>(312,458)</b>	<b>2,185,738</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	36,962,735	37,275,193	35,089,455	32,022,504	30,106,279	30,520,667	28,049,480
Plan fiduciary net position - ending (b)	<u>37,596,525</u>	<u>36,962,735</u>	<u>37,275,193</u>	<u>35,089,455</u>	<u>32,022,504</u>	<u>30,106,279</u>	<u>30,520,667</u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<b>23,290,533</b>	<b>19,568,130</b>	<b>17,002,450</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>61.75%</b>	<b>65.39%</b>	<b>68.68%</b>	<b>68.29%</b>	<b>63.82%</b>	<b>62.98%</b>	<b>64.61%</b>
<b>Covered - employee payroll</b>	<b>11,641,834</b>	<b>11,307,293</b>	<b>11,388,209</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>200.06%</b>	<b>173.06%</b>	<b>149.30%</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.*

See independent auditor's report.

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

For the Year Ended September 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 1,695,643	\$ 1,469,435	\$ 1,404,907	\$ 1,391,790	\$ 1,415,401	\$ 1,451,818	\$ 1,481,882	\$ 1,439,683
Contributions in relation to the actuarially determined contribution	<u>1,695,643</u>	<u>1,469,435</u>	<u>1,404,907</u>	<u>1,391,790</u>	<u>1,415,401</u>	<u>1,451,818</u>	<u>1,481,882</u>	<u>1,439,683</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 12,756,883	\$ 11,641,834	\$ 11,307,292	\$ 11,388,209	\$ 10,665,563	\$ 10,397,431	\$ 9,916,527	\$ 9,655,596
Contributions as a percentage of covered - employee payroll	13.29%	12.62%	12.42%	12.22%	13.27%	13.96%	14.94%	14.91%

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

*See independent auditor's report.*

**MUNICIPAL UTILITIES BOARD OF DECATUR**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**RETIREMENT SYSTEMS OF ALABAMA**  
For the Year Ended September 30, 2021

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	25.6 years
Asset valuation method	Five year smoothed market
Inflation	2.750%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

*See independent auditor's report.*

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

For the Year Ended September 30, 2021

<b>Total OPEB Liability</b>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	387,319	373,572	424,692	\$ 577,544
Interest	1,157,651	1,039,156	1,269,752	1,076,050
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(20,084)	193,875	(5,687,159)	-
Changes of assumptions	-	(3,367,893)	(1,338,994)	-
Benefits Payments and Refunds	<u>(787,289)</u>	<u>(883,341)</u>	<u>(941,411)</u>	<u>(822,065)</u>
Net Change in Total OPEB Liability	737,597	(2,644,631)	(6,273,120)	831,529
<b>Total OPEB Liability - beginning</b>	<b>26,103,086</b>	<b>28,747,717</b>	<b>35,020,837</b>	<b>34,189,308</b>
<b>Total OPEB Liability - ending (a)</b>	<b><u>\$ 26,840,683</u></b>	<b><u>\$ 26,103,086</u></b>	<b><u>\$ 28,747,717</u></b>	<b><u>\$ 35,020,837</u></b>
 <b>Plan fiduciary net position</b>				
Contributions - employer	1,741,315	8,875,780	941,411	822,065
Contributions - employee	-	294,342	-	-
Net investment income	356,989	545	-	-
Benefit payments, including refunds of employee contributions	(787,289)	(883,341)	(941,411)	(822,065)
Administrative expenses	-	-	-	-
Net change in plan fiduciary net position - beginning	<b>1,311,015</b>	<b>8,287,326</b>	-	-
<b>Plan fiduciary net position - beginning</b>	<b>8,287,326</b>	-	-	-
<b>Plan fiduciary net position - ending (b)</b>	<b><u>9,598,341</u></b>	<b><u>8,287,326</u></b>	-	-
 <b>Net OPEB liability (asset) - ending (a) - (b)</b>	 <b>17,242,342</b>	 <b>17,815,760</b>	 <b>28,747,717</b>	 <b>35,020,837</b>
 Covered Employee Payroll	 \$ 10,840,661	 \$ 10,576,255	 \$ 9,259,586	 \$ 9,721,892
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	35.76%	31.75%	0.00%	0.00%
 Net OPEB Liability as a % of covered-employee payroll	 159.05%	 168.45%	 310.46%	 360.23%

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



**MUNICIPAL UTILITIES BOARD OF DECATUR**  
**SCHEDULES OF CONTRIBUTIONS - OPEB**  
For the Year Ended September 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 1,741,315	\$ 2,539,943	\$ 2,416,055	\$ 2,884,814
Contributions in relation to the actuarially determined contribution	<u>1,741,315</u>	<u>8,875,780</u>	<u>941,411</u>	<u>822,065</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (6,335,837)</u>	<u>\$ 1,474,644</u>	<u>\$ 2,062,749</u>
Covered-employee payroll	\$ 10,840,661	\$ 10,576,255	\$ 9,259,586	\$ 9,721,892
Contributions as a percentage of covered - employee payroll	16.06%	83.92%	10.17%	8.46%

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

**MUNICIPAL UTILITIES BOARD OF DECATUR**  
**SCHEDULES OF INVESTMENT RETURNS**  
**OPEB PLAN**  
For the Years Ended June 30,

Annual money-weighted rate	<b>2021</b>	<b>2020</b>
of return, net of investment expense	4.21%	0.01%

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

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

For the Year Ended September 30, 2021

**Notes to OPEB Required Supplementary Information**

*Valuation Date:* Actuarially determined contribution rates for 2021 were calculated based on the October 1, 2021 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 with generational mortality improvement to current year under Projection Scale MP 2019.	
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% per annum	
Discount rate:	4.55% per annum	
	Based on the S&P Municipal Bond 20 Year High	
Health Care Cost Trend Rate:	Medical - 7.25% to grade uniformly to 6.50% over a 3 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, 2021

Year Ended September 30,	2019 Series Wastewater Warrants		2020 Series Wastewater Warrants		2021A Series Wastewater Warrants		2021B Series Wastewater Warrants	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	730,000	162,206	\$ 1,922,496	\$ 384,027	\$ 130,000	\$ 2,094,781	\$ 1,330,000	\$ 2,202,285
2023	745,000	147,460	1,929,820	371,531	135,000	2,090,881	1,335,000	2,199,758
2024	760,000	132,411	1,951,791	355,513	135,000	2,086,831	1,335,000	2,196,554
2025	780,000	117,059	1,970,101	334,434	140,000	2,082,781	1,340,000	2,190,280
2026	795,000	101,303	1,988,410	311,187	145,000	2,078,581	1,355,000	2,180,498
2027	810,000	85,244	2,014,043	283,349	155,000	2,072,781	1,370,000	2,167,625
2028	830,000	68,882	2,047,000	253,139	155,000	2,066,581	1,380,000	2,151,322
2029	840,000	52,116	2,087,281	218,135	160,000	2,060,381	1,400,000	2,132,416
2030	860,000	35,148	2,123,900	180,355	170,000	2,053,981	1,420,000	2,109,736
2031	880,000	17,776	2,160,519	139,789	175,000	2,047,181	1,450,000	2,085,312
2032	-	-	2,208,124	96,362	180,000	2,040,181	2,365,000	2,058,777
2033	-	-	2,252,067	49,771	190,000	2,032,981	2,415,000	2,013,369
2034	-	-	-	-	200,000	2,025,381	5,605,000	1,964,586
2035	-	-	-	-	205,000	2,017,381	5,725,000	1,848,563
2036	-	-	-	-	215,000	2,009,181	5,850,000	1,724,330
2037	-	-	-	-	225,000	2,000,581	5,980,000	1,591,535
2038	-	-	-	-	235,000	1,991,581	6,120,000	1,449,809
2039	-	-	-	-	240,000	1,982,181	6,275,000	1,298,645
2040	-	-	-	-	250,000	1,972,581	6,430,000	1,139,888
2041	-	-	-	-	885,000	1,962,581	6,595,000	974,637
2042	-	-	-	-	900,000	1,944,881	6,775,000	798,550
2043	-	-	-	-	920,000	1,926,881	6,960,000	612,238
2044	-	-	-	-	935,000	1,908,481	7,155,000	417,358
2045	-	-	-	-	955,000	1,889,781	7,360,000	213,440
2046	-	-	-	-	8,545,000	1,870,681	-	-
2047	-	-	-	-	8,720,000	1,699,781	-	-
2048	-	-	-	-	9,065,000	1,350,981	-	-
2049	-	-	-	-	9,430,000	988,381	-	-
2050	-	-	-	-	9,805,000	611,181	-	-
2051	-	-	-	-	10,305,000	109,491	-	-
	<u>\$ 8,030,000</u>	<u>\$ 919,605</u>	<u>\$ 24,655,552</u>	<u>\$ 2,977,591</u>	<u>\$ 63,905,000</u>	<u>\$ 55,069,897</u>	<u>\$ 95,325,000</u>	<u>\$ 39,721,508</u>

*See independent auditor's report.*

**MUNICIPAL UTILITIES BOARD OF DECATUR**  
**SCHEDULE OF LONG-TERM DEBT**  
September 30, 2021

Year Ended	2020 Series Water Warrant		2021 Series Water Warrant		Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2022	\$ 702,504	\$ 140,328	\$ 305,000	\$ 315,400	\$ 5,120,000	\$ 5,299,028	\$ 10,419,028
2023	705,180	135,762	315,000	306,250	5,165,000	5,251,642	10,416,642
2024	713,209	129,909	325,000	296,800	5,220,000	5,198,019	10,418,019
2025	719,899	122,206	335,000	287,050	5,285,000	5,133,810	10,418,810
2026	726,590	113,712	345,000	277,000	5,355,000	5,062,280	10,417,280
2027	735,957	103,539	360,000	263,200	5,445,000	4,975,739	10,420,739
2028	748,000	92,500	375,000	248,800	5,535,000	4,881,224	10,416,224
2029	762,719	79,709	390,000	233,800	5,640,000	4,776,557	10,416,557
2030	776,100	65,904	405,000	218,200	5,755,000	4,663,324	10,418,324
2031	789,481	51,080	420,000	202,000	5,875,000	4,543,138	10,418,138
2032	806,876	35,212	440,000	185,200	6,000,000	4,415,732	10,415,732
2033	822,933	18,187	455,000	167,600	6,135,000	4,281,908	10,416,908
2034	-	-	475,000	149,400	6,280,000	4,139,367	10,419,367
2035	-	-	490,000	130,400	6,420,000	3,996,344	10,416,344
2036	-	-	510,000	110,800	6,575,000	3,844,311	10,419,311
2037	-	-	530,000	90,400	6,735,000	3,682,516	10,417,516
2038	-	-	555,000	69,200	6,910,000	3,510,590	10,420,590
2039	-	-	575,000	47,000	7,090,000	3,327,826	10,417,826
2040	-	-	600,000	24,000	7,280,000	3,136,469	10,416,469
2041	-	-	-	-	7,480,000	2,937,218	10,417,218
2042	-	-	-	-	7,675,000	2,743,431	10,418,431
2043	-	-	-	-	7,880,000	2,539,119	10,419,119
2044	-	-	-	-	8,090,000	2,325,839	10,415,839
2045	-	-	-	-	8,315,000	2,103,221	10,418,221
2046	-	-	-	-	8,545,000	1,870,681	10,415,681
2047	-	-	-	-	8,720,000	1,699,781	10,419,781
2048	-	-	-	-	9,065,000	1,350,981	10,415,981
2049	-	-	-	-	9,430,000	988,381	10,418,381
2050	-	-	-	-	9,805,000	611,181	10,416,181
2051	-	-	-	-	10,305,000	109,491	10,414,491
	<u>\$ 9,009,448</u>	<u>\$ 1,088,049</u>	<u>\$ 8,205,000</u>	<u>\$ 3,622,500</u>	<u>\$ 209,130,000</u>	<u>\$ 103,399,150</u>	<u>\$ 312,529,150</u>

See independent auditor's report.

**MUNICIPAL UTILITIES BOARD OF DECATUR**  
**SCHEDULE OF OPERATING STATISTICS, ELECTRIC - UNAUDITED**  
September 30, 2021

	<b>For The Fiscal Years Ended September 30,</b>				
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>					
Residential (net of bad debt)	\$ 31,261,966	\$ 31,099,568	\$ 33,001,965	\$ 32,674,404	\$ 29,817,588
Commercial	7,018,996	6,752,248	7,356,455	7,232,312	7,061,415
Industrial	49,584,405	49,218,332	53,582,563	53,101,223	53,024,425
Street and outdoor lighting	913,952	925,978	947,444	942,427	955,899
Unbilled revenue	(214,518)	(1,861,590)	(511,559)	1,961,408	(175,594)
Other operating	1,141,073	1,157,437	1,065,757	1,094,852	1,056,664
Interest and other revenue	8,809	226,721	515,680	420,831	107,733
	<u>\$ 89,714,683</u>	<u>\$ 87,518,695</u>	<u>\$ 95,958,305</u>	<u>\$ 97,427,457</u>	<u>\$ 91,848,129</u>
<b>Expense</b>					
Electric power costs	\$ 74,398,307	\$ 73,742,551	\$ 82,055,526	\$ 82,311,528	\$ 79,365,208
Other operating expenses	8,218,048	6,993,378	7,143,284	7,736,328	7,246,877
Provision for depreciation	2,981,689	2,889,931	2,749,178	2,578,158	2,434,825
Transfer out - tax equivalent	1,886,797	1,888,937	1,759,694	1,736,521	1,703,462
Interest and other expense	6,093	6,603	7,426	2,013	926
	<u>87,490,933</u>	<u>85,521,399</u>	<u>93,715,108</u>	<u>94,364,548</u>	<u>90,751,298</u>
Net income (loss)	<u>\$ 2,223,750</u>	<u>\$ 1,997,296</u>	<u>\$ 2,243,197</u>	<u>\$ 3,062,909</u>	<u>\$ 1,096,831</u>
<b>Financial</b>					
Plant in service (net)	<u>\$ 47,240,770</u>	<u>\$ 47,134,850</u>	<u>\$ 46,845,637</u>	<u>\$ 46,289,848</u>	<u>\$ 42,401,396</u>
<b>KWH's sold</b>					
Residential	323,617,914	321,947,976	333,060,447	341,257,849	310,302,470
Commercial	64,306,288	61,858,836	66,118,295	68,114,199	67,325,402
Industrial	790,654,966	774,160,097	799,526,013	805,360,267	789,139,768
Other customers	6,318,830	6,477,784	6,842,264	7,069,444	7,192,137
Accrued unbilled kWh	2,171,400	(14,566,168)	11,383,210	3,170,199	(3,680,273)
Total	<u>1,187,069,398</u>	<u>1,149,878,525</u>	<u>1,216,930,229</u>	<u>1,224,971,958</u>	<u>1,170,279,504</u>
<b>Number of customers</b>					
Residential	22,770	22,739	22,621	22,499	22,528
Small commercial	3,386	3,329	3,341	3,324	3,359
Large commercial	482	497	517	537	541
Street and athletic	116	113	112	112	109
Outdoor lighting - code 78	60	56	53	59	62
	<u>26,814</u>	<u>26,734</u>	<u>26,644</u>	<u>26,531</u>	<u>26,599</u>
Line loss	<u>2.35%</u>	<u>3.43%</u>	<u>3.28%</u>	<u>2.72%</u>	<u>2.34%</u>
Miles of line	595.5	595.5	595.5	594	594

*See independent auditor's report.*

**MUNICIPAL UTILITIES BOARD OF DECATUR**  
**SCHEDULE OF OPERATING STATISTICS, GAS - UNAUDITED**  
September 30, 2021

	<b>For The Fiscal Years Ended September 30,</b>				
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>					
Residential (net of bad debt)	\$ 4,475,514	\$ 3,959,848	\$ 4,389,863	\$ 4,371,592	\$ 3,554,367
Commercial	3,123,769	2,610,027	3,087,103	3,402,370	2,916,580
Industrial	7,171,071	5,170,313	7,385,953	7,292,930	7,566,226
Other operating	143,536	138,512	141,252	170,159	161,107
Contributed capital	8,420	101,502	979,038	48,817	10,325
Interest and other revenue	9,456	104,872	230,549	132,106	21,757
	<u>\$ 14,931,767</u>	<u>\$ 12,085,074</u>	<u>\$ 16,213,758</u>	<u>\$ 15,417,974</u>	<u>\$ 14,230,361</u>
<b>Expense</b>					
Gas purchased	\$ 10,563,287	\$ 7,850,546	\$ 10,832,210	\$ 10,908,578	\$ 10,932,346
Other operating expenses	3,309,030	2,918,626	2,963,896	2,848,481	2,745,456
Provision for depreciation	972,859	1,014,521	960,624	898,415	872,022
Transfer out - tax equivalent	38,055	98,822	237,738	356,501	-
Interest and other expense	2,062	2,235	2,513	681	313
	<u>14,885,293</u>	<u>11,884,750</u>	<u>14,996,982</u>	<u>15,012,656</u>	<u>14,550,137</u>
Net income (loss)	<u>\$ 46,475</u>	<u>\$ 200,324</u>	<u>\$ 1,216,776</u>	<u>\$ 405,318</u>	<u>\$ (319,776)</u>
<b>Financial</b>					
Plant in service (net)	<u>\$ 22,647,013</u>	<u>\$ 22,313,327</u>	<u>\$ 21,555,287</u>	<u>\$ 21,095,212</u>	<u>\$ 20,559,693</u>
<b>MCF's sold</b>					
Residential	450,048	395,826	438,721	451,878	322,226
Commercial	486,188	436,160	485,824	530,737	412,283
Industrial	861,725	851,658	968,477	947,205	888,995
Flex	721,795	719,898	770,476	843,375	802,970
Transportation	3,366,368	3,615,730	4,310,197	4,123,488	3,780,405
Total	<u>5,886,124</u>	<u>6,019,272</u>	<u>6,973,695</u>	<u>6,896,683</u>	<u>6,206,879</u>
<b>Number of customers</b>					
Residential	11,790	11,821	11,898	11,884	11,880
Commercial	1,644	1,643	1,656	1,649	1,642
Industrial	30	30	30	30	27
Flex	2	2	2	2	2
Transportation	10	10	10	10	10
	<u>13,476</u>	<u>13,506</u>	<u>13,596</u>	<u>13,575</u>	<u>13,561</u>
Loss percentage	<u>1.23%</u>	<u>0.83%</u>	<u>1.10%</u>	<u>0.65%</u>	<u>0.40%</u>
Miles of mains	423	423	421	421	421

*See independent auditor's report.*



**MUNICIPAL UTILITIES BOARD OF DECATUR**  
**SCHEDULE OF OPERATING STATISTICS, WATER - UNAUDITED**  
September 30, 2021

	<b>For The Fiscal Years Ended September 30,</b>				
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>					
Residential (net of bad debt)	\$ 5,600,056	\$ 5,720,277	\$ 5,702,132	\$ 5,664,042	\$ 5,790,376
Commercial	1,819,190	1,790,979	1,888,585	1,897,542	1,897,043
Industrial	4,570,163	4,544,609	4,809,554	4,556,749	4,691,792
Resale	2,230,857	2,211,147	2,272,387	2,156,640	2,168,199
Other operating	1,206,196	1,283,338	1,260,803	1,235,820	1,327,948
Capital contributions	471,236	83,722	2,754,770	529,487	999,908
Interest and other revenue	13,805	169,104	373,646	228,800	65,637
	<u>\$ 15,911,503</u>	<u>\$ 15,803,176</u>	<u>\$ 19,061,877</u>	<u>\$ 16,269,080</u>	<u>\$ 16,940,903</u>
<b>Expense</b>					
Treatment expense	5,124,185	4,719,146	4,920,341	4,529,640	4,806,322
Other operating expenses	4,637,642	4,140,785	3,825,595	3,929,806	4,184,128
Provision for depreciation	3,315,943	3,325,131	3,217,884	3,099,141	2,984,911
Transfer out - tax equivalent	600,261	600,906	629,903	601,339	617,616
Interest and other expense	500,040	390,960	512,926	646,333	712,226
	<u>14,178,071</u>	<u>13,176,927</u>	<u>13,106,649</u>	<u>12,806,259</u>	<u>13,305,203</u>
Net income (loss)	<u>\$ 1,733,433</u>	<u>\$ 2,626,249</u>	<u>\$ 5,955,228</u>	<u>\$ 3,462,821</u>	<u>\$ 3,635,700</u>
<b>Financial</b>					
Plant in service (net)	<u>\$ 77,078,655</u>	<u>\$ 74,526,588</u>	<u>\$ 74,070,102</u>	<u>\$ 71,478,591</u>	<u>\$ 71,114,595</u>
<b>Gallons sold (1000's)</b>					
Residential	1,403,338	1,495,624	1,493,953	1,467,710	1,550,592
Commercial	943,228	919,237	1,005,110	1,012,205	1,010,070
Industrial	5,049,337	5,035,465	5,354,945	5,174,590	5,207,498
Resale	2,267,535	2,246,642	2,323,516	2,219,264	2,253,213
Total	<u>9,663,438</u>	<u>9,696,968</u>	<u>10,177,524</u>	<u>9,873,769</u>	<u>10,021,373</u>
<b>Number of customers</b>					
Residential	22,260	22,243	22,141	22,052	22,060
Commercial	3,269	3,241	3,253	3,228	3,212
Industrial	89	92	93	95	95
Resale	10	9	9	10	8
	<u>25,628</u>	<u>25,585</u>	<u>25,496</u>	<u>25,385</u>	<u>25,375</u>
<b>Loss percentage</b>	<u>4.62%</u>	<u>5.12%</u>	<u>11.66%</u>	<u>9.49%</u>	<u>8.21%</u>
<b>Miles of mains</b>	494	492	492	491	490
<b>Fire hydrants in service</b>	2,117	2,065	2,060	2,060	2,048
<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, 2021

	<b>For The Fiscal Years Ended September 30,</b>				
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>					
Residential (net of bad debt)	\$ 6,652,194	\$ 4,785,839	\$ 4,779,453	\$ 4,804,350	\$ 4,767,727
Commercial	3,305,059	2,767,247	2,848,077	2,867,505	2,796,298
Industrial	8,157,252	7,933,508	8,433,810	8,205,795	7,865,044
Government agencies	94,117	259,009	247,074	158,951	130,596
Other operating	1,595,663	1,446,518	1,555,023	1,575,258	1,707,430
Capital contributions	441,477	1,060,996	174,129	9,585,858	185,600
Interest and other revenue	(47,596)	253,200	712,348	463,270	143,030
	<u>\$ 20,198,166</u>	<u>\$ 18,506,318</u>	<u>\$ 18,749,914</u>	<u>\$ 27,660,987</u>	<u>\$ 17,595,727</u>
<b>Expense</b>					
Treatment expense	3,741,516	3,680,867	3,583,700	3,316,695	3,259,454
Other operating expenses	4,758,884	4,298,749	4,074,918	3,586,561	3,454,030
Provision for depreciation	4,902,836	4,775,242	4,453,408	3,994,199	3,557,511
Transfer out - tax equivalent	797,406	845,713	882,774	850,884	823,166
Interest and other expense	2,768,130	1,131,565	1,257,942	1,363,581	1,459,386
	<u>16,968,772</u>	<u>14,732,136</u>	<u>14,252,741</u>	<u>13,111,920</u>	<u>12,553,547</u>
Net income (loss)	<u>\$ 3,229,393</u>	<u>\$ 3,774,182</u>	<u>\$ 4,497,173</u>	<u>\$ 14,549,067</u>	<u>\$ 5,042,181</u>
<b>Financial</b>					
Plant in service (net)	<u>\$ 138,243,255</u>	<u>\$ 136,148,847</u>	<u>\$ 133,995,972</u>	<u>\$ 128,646,460</u>	<u>\$ 112,398,375</u>
<b>Gallons billed (1000's)</b>					
Residential	947,924	938,526	935,995	944,004	960,426
Commercial	750,912	732,283	760,031	767,194	761,640
Industrial	2,140,850	2,276,144	2,442,665	2,326,929	2,206,526
Government agencies	37,893	166,423	160,924	101,114	75,620
Total	<u>3,877,579</u>	<u>4,113,376</u>	<u>4,299,615</u>	<u>4,139,241</u>	<u>4,004,212</u>
<b>Number of customers</b>					
Residential	18,396	18,366	18,249	18,152	18,136
Commercial	2,283	2,247	2,260	2,241	2,233
Industrial	75	78	78	80	78
Government agencies	1	1	1	1	1
	<u>20,755</u>	<u>20,692</u>	<u>20,588</u>	<u>20,474</u>	<u>20,448</u>
<b>Miles of mains</b>	377	375	374	374	358

*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, 2021, 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, 2021.

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

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

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

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

### **Compliance and Other Matters**

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

## Purpose of this Report

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



Jackson, Tennessee  
December 21, 2021

**MUNICIPAL UTILITIES BOARD OF DECATUR**  
**SCHEDULE OF FINDINGS**  
September 30, 2021

No current year findings reported.

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

September 30, 2021

No prior year findings reported.