

2015 Annual Report

We connect the River City!



Mission & Vision

The mission of Decatur Utilities is to provide ***SAFE, RELIABLE UTILITY SERVICES*** at the ***LOWEST POSSIBLE RATE*** and to ***MEET THE NEEDS*** of our customers and employees. Our vision is to be the ***SUPPLIER OF CHOICE*** for customers across ***ALL RATE CLASSES***.



It's all about service.

Decatur Utilities marks another year of progress.

Each year, I spend a little time reflecting on the past year and the progress Decatur Utilities made in its ongoing effort to provide customers with safe, reliable utility services.

2015 was an important year in many ways. First, recognizing that a high percentage of our costs are fixed, we implemented a revised rate structure to better match revenues with costs. This positions DU to operate through a true service delivery business model. While the move included an increase in the customer access charge for electric, natural gas and water services, the intent is for DU to cover the majority of its operating expenses through this fixed fee. As this rate plan is implemented, customers will notice less bill sensitivity to changing weather extremes.

Highlights from the past year include the implementation of a new Outage Management System that uses some of the latest information technology available to quickly obtain and analyze outage data so crews can respond quickly and restore power sooner. The change allows customers to input the location of their outage by phone within seconds instead of staying on hold to speak to a dispatcher.

We also began the pilot installation of an Advanced Metering Infrastructure that will allow us to read meters remotely and collect time-of-day usage. The 350 meters installed will give us a true picture of the technology's capability in a real-world setting. As TVA moves to a true time-of-use wholesale rate structure in the future, it will be vital that DU is able to accurately measure when customers are using the most electricity in order to pass the savings on.

Two of the most visible projects started in 2015 were the restoration of the water tank near Decatur High School and the renovation of our customer service lobby. Refurbishment of the tank will extend its useful life for several more years and the new lobby layout will provide improved security for employees and a more private setting where customers can discuss personal information.

We continued the final phase of a multi-year project to eliminate leak-prone cast iron mains from our natural gas system. DU has received commendation in recent years from the Alabama Public Service Commission for our aggressive cast iron replacement program.

Both the water and wastewater treatment plants operated 24/7/365 without incident and made significant facility and technological upgrades to meet or exceed state and federal quality standards.

You'll read more about other projects for each of our work groups in the pages to come. In a world where change is constant and technology evolves at a remarkable pace, you can depend on this:

DU remains committed to our mission of providing you with safe, reliable utility services at the lowest possible rate and meeting the needs of our customers and employees.



Ray Hardin
General Manager



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Volunteer Service Projects

Municipal Utilities Board



Pictured L-R: Skip Thompson, board member; Neal Holland, Jr., board chairman; Richard Grace, board secretary

DU Management Team



Front Row, L-R: Gary Borden, manager of business development and operations support; Ray Hardin, general manager; Steve Pirkle, business manager and chief financial officer; Paul Nosal, director, employee and customer relations.

Back Row, L-R: Glenn Boyles, electric manager; Tom Cleveland, water resources manager; Jimmy Evans, gas, water and wastewater operations manager; Janice Armor, administrative assistant; Kim Baker, customer service manager.

2015 Honor Roll



The DU Honor Roll is made up of employees who are recognized by our customers for going “above and beyond” the call of duty to provide outstanding service. The 2015 DU Honor Roll includes employees from DU’s gas/water/wastewater and electric groups, customer service, engineering and administrative office. Visit decaturutilities.com for a complete list of names.

Workplace Safety

DU Safety Record

FY 2015 (10/1/14 through 9/30/15)

Lost Work Days

▶ Goal: 0 ▶ Actual: 0

Vehicle Incidents

▶ Goal: 0 ▶ Actual: 6

Days Without Recordable Incident

- ▶ Central Parkway Service Center: 1,139
- ▶ 10th Ave. Service Center: 702
- ▶ Wastewater Treatment Plant: 611
- ▶ Water Treatment Plant: 1,100
- ▶ Administrative Office: 2,308

Safety first. Safety always.

Safety is the top priority at Decatur Utilities and our ultimate goal is that every employee works safely and returns home to their family each night.

Safety training is provided each month at all work sites and covers topics ranging from general workplace safety to job-specific protocols and practices for office workers, field crews and plant personnel.

DU provides its employees with the tools, personal protective equipment and training needed to perform their job safely - whether in the office, in the field or in transit.

We also offer safety demonstrations for local schools and other organizations to educate the public on how to stay safe around power and natural gas lines.

Safety tips are included throughout the year with customer billing statements and are communicated via social media and traditional outlets.

Be aware. Be informed. Be safe.



Electric System

Background

As the electric service provider for the City of Decatur, Decatur Utilities takes great pride in operating a distribution system that delivers safe, reliable electricity to more than 26,000 residential, commercial and industrial customers.

Since its incorporation in 1939, DU has been a distributor for the Tennessee Valley Authority - the nation's largest public power generation utility.

Due in part to TVA's balanced mix of fossil, nuclear and hydro generation facilities, DU's customers pay less per kWh than consumers in most parts of the country.

DU's electric system is among the most reliable in the industry. However, when outages do occur, our crews are dedicated to restoring power as quickly and safely as possible - regardless of weather conditions or the time of day or night.

We use the latest Geographic Information and Outage Management technology to provide dispatchers and crews with the data they need to respond quickly.





2015 Highlights

Began implementation of Advanced Metering Infrastructure (AMI) pilot to field test two-way data communication and capturing time-of-day usage data.

Implemented new Interactive Voice Response and Outage Management Systems that allow customers to report outages using their phone number. The new system shortens the outage response time by quickly analyzing and predicting the cause of the outage and location of failed equipment.

Continued conversion of distribution circuits from original voltage of 4kV to modern standard of 12kV.

2015 By the Numbers

Customers: > 26,500

Third lowest residential rate among TVA's 155 distributors

Sold more than 1.2 billion kWh of electricity

Near-perfect system reliability of 99.994%

Replaced 279 defective poles

Repaired 695 street lights

Repaired 236 security lights

Completed 116 circuit miles of tree trimming

Replaced 650 feet of direct buried underground cable

Performed maintenance on 10 distribution substations and one primary substation



Natural Gas System

Background

Decatur Utilities offers natural gas as an alternative fuel choice for safely and economically heating, cooking, producing hot water and fueling industrial processes throughout the Decatur area.

The DU Natural Gas system was created in 1950 with an original infrastructure of just 12 miles of line and 500 customers. Since that humble beginning, the system has grown to serve more than 13,600 customers across some 400 miles of distribution line.

DU takes natural gas safety and pipeline awareness very seriously. Throughout the year, we provide customers with information that explains how to identify a potential natural gas leak, what steps to take to remain safe and how to safely report the leak.

We promote the “811 Alabama One Call” system which coordinates the marking of underground utility lines prior to digging on private or public property.

We also survey all natural gas mains and a portion of residential and commercial services annually to identify and repair leaks.



**Know what's below.
Call before you dig.**





2015 Highlights

Completed Phase I of a two-phase cast iron replacement project. Phase II will eliminate the remaining two miles of cast iron in the DU distribution system. This will be completed in 2016.

Installed more than 6,500 feet of new natural gas main along Red Bank Road and began signing up new gas customers.

Sponsored the 2015 Alabama Pipeline Awareness Cooperative Training (APACT) meeting for North Alabama to educate local emergency responders, contractors and others on vital pipeline safety protocols.

Distributed gas and pipeline safety information to all DU residential and commercial customers.

2015 By The Numbers

Customers: > 13,600

Natural Gas Sold: 6.5 billion cubic feet

Natural Gas Mains: > 400 miles

Remaining Cast Iron: < 2 miles

How to detect a possible leak

Smell - Distinct rotten egg odor

Sight - Dirt being disturbed, water bubbling

Sound - Hissing or blowing

What to do if you smell gas

Evacuate the area and get to a safe place.

Don't use matches, equipment or anything that can spark and cause an explosion.

Once you are safe, call DU's Dispatch Center at 256-552-1400 to report the leak.

Call 911 if there is a fire or explosion.

Alert others to avoid entering the leak area.



Water System

Background

For more than 75 years, Decatur Utilities has taken water from the Tennessee River's Wheeler Reservoir, treated it to meet or exceed state and federal quality standards, and then delivered it to residents and businesses throughout the City of Decatur.

While portions of the original Water Treatment Plant (WTP) are still in existence, the sprawling Market St. facility has kept pace with growing demand through the addition of infrastructure, replacement of aging equipment and upgrades in technology.

The WTP was recognized in 2015 with awards from the Alabama Department of Environmental Management, Centers for Disease Control and the Alabama Water and Pollution Control Association.

After treatment, water is delivered to retail and wholesale customers using a complex network of above-ground tanks, underground mains and individual services.

Field crews at DU's 10th Ave. Service Center maintain almost 500 miles of water main and other equipment. Crews are on call around the clock to respond to emergency situations.





2015 Highlights

Received the "2015 Best Operated Plant Award" from the Alabama Water and Pollution Control Association for Distribution Systems 25,001 - 50,000 meters.

Received the "2013-2014 Plant Optimization Award" from the Ala. Dept. of Environmental Management.

Received the "2014 Water Fluoridation Quality Award" from the Centers for Disease Control.

Began Sedimentation Basin Rehabilitation project including clarifier drives, valves and structural improvements.

Began internal and external refurbishment of Decatur High School Water Tank.

Completed Phase II of the Mallard Fox Water Main upgrade project (9,250 ft.) and began engineering and design phase of Phase III (5,200 ft.).

Relocated 4,200 feet of water main as part of ALDOT Hwy. 31/Hwy. 72 project.

Relocated water mains at six different street crossings on Wilson St. as part of ALDOT project.

2015 By The Numbers

Retail customers: > 25,000

Wholesale customers:

- ▶ City of Hartselle
- ▶ NE Morgan County Water Authority
- ▶ Limestone County Water and Sewer Authority

DU's WTP processed more than 9.3 billion gallons of water in FY 2015 - an average of about 25 millions gallons/day.

DU's water distribution network includes 10 water tanks, more than 2,000 fire hydrants and almost 500 miles of water mains.



Wastewater System

Background

The collection and treatment of wastewater is paramount to the health and wellbeing of Decatur's residents. Decatur Utilities provides this vital service through its wastewater system which includes underground collection pipelines and lift stations that provide the increase in pressure needed to transport wastewater to DU's Wastewater Treatment Plant (WWTP) located on Hwy. 20.

To meet federal and state mandates for water quality, DU uses a multi-stage process that treats about 24 million gallons of wastewater each day before it is returned to the Tennessee River. The process includes removing solids and killing harmful bacteria.

DU's WWTP operates around the clock every day of the year - including all holidays. Recent upgrades in facility equipment and technology keep the plant running at a high level of efficiency - something that has been recognized repeatedly by the Alabama Water and Pollution Control Association, Alabama's Water Environment Association and other agencies.





2015 Highlights

Received the "2015 Best Operated Plant Award" from the Alabama Water and Pollution Control Association for treatment plants > 10 Million Gallons per Day.

Received the "2015 Excellence Award" from Alabama's Water Environment Association.

Installed new 2.75MW emergency generator to provide backup power to keep plant operating in event of an extended power outage.

Completed construction of a new lift station at Mallard Fox Industrial Park.

Began construction of a new lift station at the intersection of Hwy. 67 and Country Club Rd.

Completed 23,000 ft. of sewer main to serve Mallard Fox Industrial Park.

Completed 61 point repairs, replaced 3,600 feet of main sewer line and replaced 98 wastewater sewer services.

2015 By The Numbers

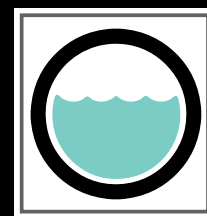
Customers: > 20,000

DU's WWTP treated more than 8.6 billion gallons of water in FY 2015 - an average of about 24 millions gallons/day

Miles of main: 348

Miles of main inspected by CCTV: 21

Miles of main cleaned: 65



Supporting Departments

Customer Service

Decatur Utilities strives to provide outstanding service to every customer, every day.

Our customer service representatives process applications for new accounts and transfers, work with customers on high bill situations and address any other service related issues.

Payment representatives accept more than 60 payments per hour every business day - a total of more than 126,000 per year.

Customer Service also dispatches service orders for DU's Field Services department.

Field Services

DU's Field Services department is where you'll find meter readers crisscrossing the city each day taking readings from electric, gas and water meters.

Field service representatives (FSRs) are also on the go daily as they investigate possible leaks, analyze equipment problems and perform meter sets, disconnects and reconnects.

Combined, Field Services personnel racked up more than 124,000 miles last year.

2015 By the Numbers

Meters read: 820,064

Accuracy rate: 99.83%

Miles traveled: 124,386

Tickets worked: 25,869

2015 Highlights

Upgraded online customer access portal to provide better service and additional functionality.

Began renovation of the main lobby to offer improved security measures and customer privacy.

Implemented enhanced Interactive Voice Response system.

Hosted two community information meetings for customers.

2015 By the Numbers

Payments accepted: 126,890

Walk-in customers served: 13,459

Average wait time: 5.3 minutes

Phone calls processed: 69,331



Others

Human Resources

The Human Resources department coordinates employee recruitment, employee benefits and compliance with state and federal hiring laws in addition to other services including processing payroll.

Communications and Public Relations

The Communications and PR department informs DU's customers about work projects, safety, efficiency and outages. It also coordinates employee communications and community involvement efforts.

Finance and Accounting

The Finance and Accounting department tracks and analyzes income and expenses, procures equipment and materials and makes certain DU complies with state and federal financial guidelines.

Geographic Information Technology

DU's GIS department develops and maintains electronic maps of the service area for engineering, dispatch, outage response and long-term system planning.

Engineering

DU's employs engineers across multiple disciplines that plan, evaluate and design new facilities for the electric, natural gas, water and wastewater systems.

Dispatch

Dispatchers coordinate DU's response to electric outages and support gas, water and wastewater crews with daily service work orders.

Information Technology

The Information Technology team manages software needs and internal information systems. The team also designs and maintains DU's computer network, workstations and mobile computing devices.

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2015

**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, 2015**

DIRECTORY

BOARD OF DIRECTORS

Neal A. Holland, Jr., Chairman
Richard Grace, Secretary
James R. "Skip" Thompson, III, Member

MANAGEMENT TEAM

Ray Hardin, General Manager
Steve Pirkle, CPA, CGMA, Business Manager & CFO
Paul Nosal, SPHR, Director - Customer & Employee Relations
Gary Borden, Manager – Business Development & Operations Support
Glenn Boyles, Electric Manager
Jimmy Evans, Gas, Water & Wastewater Operations Manager
Tom Cleveland, P.E., Water Resources Manager
Kim Baker, Customer Service Manager
Janice Armor, Administrative Assistant

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Municipal Utilities Board of Decatur, Morgan County, Alabama, a component unit of the City of Decatur, Alabama, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Municipal Utilities Board of Decatur, as of September 30, 2015, 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, 2015, 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.

Change in Accounting Principle

As discussed in note 1 to the financial statements, in 2015 the Utility adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions made subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. 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 Funding Progress - Other Post Employment Benefits and Schedule of Changes in Net Position 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 on pages 4-16 and 42-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The supplementary and other information, except that which is marked "unaudited", is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, supplementary and other information except that which is marked "unaudited", is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2015 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipal Utilities Board of Decatur's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Jackson, Tennessee

December 31, 2015

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, 2015. All amounts, unless otherwise indicated, are expressed in actual dollars. The implementation of Governmental Accounting Standards Board (GASB) Statements No. 68 and 71, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during 2015 causes some financial information reported in the MD&A for 2015 and 2014 not to be comparable.

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 \$212 million (*Net Position*).

Operating revenues were \$141 million, a decrease from fiscal year 2014 in the amount of \$6 million or 3.99%.

Operating expenses were \$129 million, a decrease from fiscal year 2014 in the amount of \$6 million or 4.54%.

The operating income for the year was \$12 million as compared to a \$12 million income during the 2014 fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

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

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

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

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

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

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

FINANCIAL ANALYSIS

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

The Electric System's total Net Position decreased by \$4.44 million for the fiscal year ended September 30, 2015. 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, 2015	September 30, 2014	\$	%
Current assets	\$ 24,840,771	\$ 23,790,433	\$ 1,050,338	4.41%
Restricted assets	2,126,800	-	2,126,800	100.00%
Capital assets	41,138,756	40,378,569	760,187	1.88%
Other assets	2,105,413	2,001,988	103,425	5.17%
Total assets	<u>70,211,740</u>	<u>66,170,990</u>	<u>4,040,750</u>	6.11%
Deferred outflows of resources	<u>615,204</u>	<u>-</u>	<u>615,204</u>	100.00%
Current liabilities	8,541,547	8,442,555	98,992	1.17%
Long term liabilities	8,559,466	168,535	8,390,931	4978.75%
Other liabilities	2,294,638	2,049,722	244,916	11.95%
Total liabilities	<u>19,395,651</u>	<u>10,660,812</u>	<u>8,734,839</u>	81.93%
Deferred inflows of resources	<u>360,137</u>	<u>-</u>	<u>360,137</u>	100.00%
Investment in capital assets	41,138,756	40,378,569	760,187	1.88%
Restricted	2,126,800	-	2,126,800	100.00%
Unrestricted	7,805,600	15,131,609	(7,326,009)	-48.42%
Total net position	<u>\$ 51,071,156</u>	<u>\$ 55,510,178</u>	<u>\$ (4,439,022)</u>	-8.00%

The most significant changes from fiscal year 2014 to 2015 were in long term liabilities and unrestricted net position primarily due to implementation of GASB Statement No. 68 and Statement No. 71. Cash and cash equivalents increased by \$1.84 million due to the positive change in net position. Utility Plant increased by \$760 thousand.

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, 2015.

Table 1B
ELECTRIC SYSTEM

	September 30, 2015	September 30, 2014	Increase (Decrease)	
			\$	%
Operating revenues	\$ 95,544,700	\$ 98,306,039	\$(2,761,339)	-2.81%
Purchased power	82,504,546	86,383,317	(3,878,771)	-4.49%
Gross margin	13,040,154	11,922,722	1,117,432	9.37%
Other operating expenses	9,269,518	8,928,320	341,198	3.82%
Operating income	3,770,636	2,994,402	776,234	25.92%
Other revenue (expenses)	65,753	42,135	23,618	56.05%
Income before transfers	3,836,389	3,036,537	799,852	26.34%
Tax equivalents	(1,686,102)	(1,662,525)	23,577	1.42%
Change in net position	2,150,287	1,374,012	776,275	56.50%
Net position - beginning	55,510,178	54,136,166	1,374,012	2.54%
Restatement of net position	(6,589,309)	-	(6,589,309)	-100.00%
Net position - ending	\$ 51,071,156	\$ 55,510,178	\$(4,439,022)	-8.00%

From fiscal year 2014 to 2015, operating revenues decreased 2.81% due to lower volumes in the Residential and Industrial customer classes as compared to the prior year. Net position decreased 8.00% from the prior year due to implementation of GASB Statement No. 68 and Statement No. 71.

The Gas System's total Net Position decreased by \$2.11 million for the fiscal year ended September 30, 2015. The analysis below focuses on the System's Net Position (Table 2A) and changes in Net Position (Table 2B) during the year.

Table 2A
GAS SYSTEM

	CONDENSED STATEMENT OF NET POSITION		Increase (Decrease)	
	September 30, 2015	September 30, 2014	\$	%
Current assets	\$ 7,338,231	\$ 8,220,218	\$ (881,987)	-10.73%
Restricted assets	809,410	-	809,410	100.00%
Capital assets	19,615,617	18,494,001	1,121,616	6.06%
Other assets	5,106	430,682	(425,576)	-98.81%
Total assets	<u>27,768,364</u>	<u>27,144,901</u>	<u>623,463</u>	2.30%
Deferred outflows of resources	<u>191,087</u>	-	<u>191,087</u>	100.00%
Current liabilities	1,046,420	1,344,937	(298,517)	-22.20%
Long term liabilities	3,026,678	1,465	3,025,213	206499.18%
Other liabilities	733,488	656,809	76,679	11.67%
Total liabilities	<u>4,806,586</u>	<u>2,003,211</u>	<u>2,803,375</u>	139.94%
Deferred inflows of resources	<u>123,286</u>	-	<u>123,286</u>	100.00%
Investment in capital assets	19,615,617	18,494,001	1,121,616	6.06%
Restricted	809,410	-	809,410	100.00%
Unrestricted	2,604,552	6,647,689	(4,043,137)	-60.82%
Total net position	<u>\$ 23,029,579</u>	<u>\$ 25,141,690</u>	<u>\$ (2,112,111)</u>	-8.40%

The most significant changes from fiscal year 2014 to 2015 were in long term liabilities and unrestricted net position primarily due to implementation of GASB Statement No. 68 and Statement No. 71. Cash and cash equivalents decreased \$657 thousand. Due to City of Decatur general fund decreased \$317 thousand. The unearned gas revenue account, as described in paragraph 1 of Note 3J to the financial statements, increased by \$542 thousand.

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, 2015.

Table 2B
GAS SYSTEM

			Increase (Decrease)	
	September 30, 2015	September 30, 2014	\$	%
Operating revenues	\$ 16,663,591	\$ 20,956,097	\$ (4,292,506)	-20.48%
Purchased gas	12,809,361	16,069,536	(3,260,175)	-20.29%
Gross margin	3,854,230	4,886,561	(1,032,331)	-21.13%
Other operating expenses	3,542,378	3,397,824	144,554	4.25%
Operating income	311,852	1,488,737	(1,176,885)	-79.05%
Other revenue (expenses)	19,042	20,574	(1,532)	-7.45%
Income before transfers	330,894	1,509,311	(1,178,417)	-78.08%
Transfer to Decatur general fund	(165,447)	(754,655)	(589,208)	-78.08%
Aid in construction	81,518	284,471	(202,953)	-71.34%
Change in net position	246,965	1,039,127	(792,162)	-76.23%
Net position - beginning	25,141,690	24,102,563	1,039,127	4.31%
Restatement of net position	(2,359,076)	-	(2,359,076)	-100.00%
Net position - ending	\$ 23,029,579	\$ 25,141,690	\$ (2,112,111)	-8.40%

From fiscal year 2014 to 2015, operating revenues decreased 20.48% due to the gas cost component of the rates averaging 13.7% lower than the previous year and a more mild winter. Residential and Commercial volumes were down as compared to prior year. Transfers to the City were down due to the negative change in net position, which decreased 8.40% from the prior year. The majority of the decrease was due to implementation of GASB Statement No. 68 and Statement No. 71.

The Water System's total Net Position decreased by \$3.61 million for the fiscal year ended September 30, 2015. The analysis below focuses on the System's Net Position (Table 3A) and changes in Net Position (Table 3B) during the year.

Table 3A
WATER SYSTEM

			Increase (Decrease)	
	September 30, 2015	September 30, 2014	\$	%
Current assets	\$ 4,218,810	\$ 3,734,918	\$ 483,892	12.96%
Restricted assets	10,543,593	12,018,311	(1,474,718)	-12.27%
Capital assets	67,544,064	67,578,150	(34,086)	-0.05%
Other assets	18,042	13,150	4,892	37.20%
Total assets	<u>82,324,509</u>	<u>83,344,529</u>	<u>(1,020,020)</u>	-1.22%
Deferred outflows of resources	<u>391,462</u>	<u>-</u>	<u>391,462</u>	100.00%
Current liabilities	743,263	1,000,809	(257,546)	-25.73%
Liabilities payable from				
restricted assets	2,860,723	2,823,857	36,866	1.31%
Long term liabilities	26,053,621	23,164,849	2,888,772	12.47%
Other liabilities	<u>155,435</u>	<u>66,982</u>	<u>88,453</u>	132.05%
Total liabilities	<u>29,813,042</u>	<u>27,056,497</u>	<u>2,756,545</u>	10.19%
Deferred inflows of resources	<u>225,538</u>	<u>-</u>	<u>225,538</u>	100.00%
Net investment in capital assets	46,590,807	44,771,264	1,819,543	4.06%
Restricted	10,272,870	12,018,311	(1,745,441)	-14.52%
Unrestricted	<u>(4,186,286)</u>	<u>(501,543)</u>	<u>(3,684,743)</u>	-734.68%
Total net position	<u>\$ 52,677,391</u>	<u>\$ 56,288,032</u>	<u>\$ (3,610,641)</u>	-6.41%

The most significant changes from fiscal year 2014 to 2015 were in restricted assets, long term liabilities and unrestricted net position. The restricted assets activity was primarily due to major capital projects funded by the 2013 series water warrants. Changes in long term liabilities and unrestricted net position were primarily due to implementation of GASB Statement No. 68 and Statement No. 71. Accounts payables decreased \$584 thousand.

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, 2015.

Table 3B
WATER SYSTEM

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
	September 30, 2015	September 30, 2014	Increase (Decrease)	
			\$	%
Operating revenues	\$ 12,489,561	\$ 11,841,254	\$ 648,307	5.47%
Treatment expense	4,333,174	4,372,768	(39,594)	-0.91%
Gross margin	8,156,387	7,468,486	687,901	9.21%
Other operating expenses	6,804,281	6,534,651	269,630	4.13%
Operating income	1,352,106	933,835	418,271	44.79%
Other revenue (expenses)	(813,950)	(859,726)	(45,776)	-5.32%
Income before transfers	538,156	74,109	464,047	626.17%
Transfer to Decatur general fund	(565,018)	(550,689)	14,329	2.60%
Aid in construction	608,413	99,106	509,307	513.90%
Change in net position	581,551	(377,474)	959,025	254.06%
Net position - beginning	56,288,032	56,665,506	(377,474)	-0.67%
Restatement of net position	(4,192,192)	-	(4,192,192)	-100.00%
Net position - ending	\$ 52,677,391	\$ 56,288,032	\$ (3,610,641)	-6.41%

From fiscal year 2014 to 2015, operating revenues increased 5.47% with most of the volumetric increase coming from Industrial customers. Additionally, the Residential access fee increased from \$4.20 to \$9.00 per month beginning in July 2015. Net position decreased 6.41% from the prior year due to implementation of GASB Statement No. 68 and Statement No 71.

The Wastewater System's total Net Position increased by \$1.37 million for the fiscal year ended September 30, 2015. 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, 2015	September 30, 2014	\$	%
Current assets	\$ 14,986,300	\$ 11,126,834	\$ 3,859,466	34.69%
Restricted assets	27,117,688	32,304,694	(5,187,006)	-16.06%
Capital assets	93,197,147	89,464,920	3,732,227	4.17%
Other assets	1,610,626	2,200,000	(589,374)	-26.79%
Total assets	<u>136,911,761</u>	<u>135,096,448</u>	<u>1,815,313</u>	1.34%
Deferred outflows of resources	<u>284,130</u>	<u>-</u>	<u>284,130</u>	100.00%
Current liabilities	867,177	1,462,528	(595,351)	-40.71%
Liabilities payable from restricted assets	3,315,724	3,238,198	77,526	2.39%
Long term liabilities	50,820,863	49,766,217	1,054,646	2.12%
Other liabilities	<u>17,900</u>	<u>-</u>	<u>17,900</u>	100.00%
Total liabilities	<u>55,021,664</u>	<u>54,466,943</u>	<u>554,721</u>	1.02%
Deferred inflows of resources	<u>174,810</u>	<u>-</u>	<u>174,810</u>	100.00%
Net investment in capital assets	43,529,596	36,835,441	6,694,155	18.17%
Restricted	26,856,964	32,304,694	(5,447,730)	-16.86%
Unrestricted	<u>11,612,857</u>	<u>11,489,370</u>	<u>123,487</u>	1.07%
Total net position	<u>\$ 81,999,417</u>	<u>\$ 80,629,505</u>	<u>\$ 1,369,912</u>	1.70%

The most significant changes from fiscal year 2014 to 2015 were in restricted assets, capital assets and long term liabilities. The restricted and capital assets activity was primarily due to major capital projects funded by the 2013 series wastewater warrants. Changes in long term liabilities were primarily due to implementation of GASB Statement No. 68 and Statement No. 71.

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, 2015.

Table 4B
WASTEWATER SYSTEM

	September 30, 2015	September 30, 2014	Increase (Decrease)	
			\$	%
Operating revenues	\$ 16,303,592	\$ 15,759,277	\$ 544,315	3.45%
Treatment expense	3,143,772	3,101,386	42,386	1.37%
Gross margin	13,159,820	12,657,891	501,929	3.97%
Other operating expenses	6,807,155	6,566,335	240,820	3.67%
Operating income	6,352,665	6,091,556	261,109	4.29%
Other revenue (expenses)	(1,573,345)	(1,623,009)	(49,664)	-3.06%
Income before transfers	4,779,320	4,468,547	310,773	6.95%
Transfer to Decatur general fund	(610,585)	(602,341)	8,244	1.37%
Aid in construction	399,065	22,336	376,729	1686.64%
Change in net position	4,567,800	3,888,542	679,258	17.47%
Net position - beginning	80,629,505	76,740,963	3,888,542	5.07%
Restatement of net position	(3,197,888)	-	(3,197,888)	-100.00%
Net position - ending	\$ 81,999,417	\$ 80,629,505	\$ 1,369,912	1.70%

From fiscal year 2014 to 2015, operating revenues increased 3.45% with most of the volumetric increase coming from Industrial customers. Other operating expenses were up due to several maintenance items during 2015. Net position increased 1.70% 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, 2015. The analysis below focuses on the System's Net Position (Table 5A).

Table 5A
ADMINISTRATIVE

	CONDENSED STATEMENT OF NET POSITION		Increase (Decrease)	
	September 30, 2015	September 30, 2014	\$	%
Current assets	\$ 6,731,635	\$ 7,659,946	\$ (928,311)	-12.12%
Restricted assets	5,000	3,450,014	(3,445,014)	-99.86%
Capital assets	2,229,456	2,048,904	180,552	8.81%
Other assets	5,672	-	5,672	100.00%
Total assets	<u>8,971,763</u>	<u>13,158,864</u>	<u>(4,187,101)</u>	-31.82%
Current liabilities	4,975,544	5,742,637	(767,093)	-13.36%
Long term liabilities	443,283	433,045	10,238	2.36%
Other liabilities	-	3,430,246	(3,430,246)	-100.00%
Total liabilities	<u>5,418,827</u>	<u>9,605,928</u>	<u>(4,187,101)</u>	-43.59%
Investment in capital assets	2,229,456	2,048,904	180,552	8.81%
Unrestricted	1,323,480	1,504,032	(180,552)	-12.00%
Total net position	<u>\$ 3,552,936</u>	<u>\$ 3,552,936</u>	<u>\$ -</u>	0.00%

The most significant changes from fiscal year 2014 to 2015 were in restricted assets and other liabilities. Both items changed primarily due to Management internally reclassifying post-employment benefits other than pensions (OPEB) as described in Note 4D to the financial statements to be reflected by each system individually.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, the Utility had \$224 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 \$5.76 million or 2.64% 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, 2014 and 2015. 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, 2015	September 30, 2014		
Electric System				
Land	\$ 721,209	\$ 723,709	\$ (2,500)	-0.35%
Utility plant	77,515,642	76,352,340	1,163,302	1.52%
Construction in progress	1,866,132	986,758	879,374	89.12%
Less: Accumulated depreciation	(38,964,227)	(37,684,238)	1,279,989	3.40%
Net electric plant	<u>41,138,756</u>	<u>40,378,569</u>	<u>760,187</u>	1.88%
Gas System				
Land	124,816	124,816	-	0.00%
Utility plant	34,930,206	33,170,698	1,759,508	5.30%
Construction in progress	156,802	107,683	49,119	45.61%
Less: Accumulated depreciation	(15,596,207)	(14,909,196)	687,011	4.61%
Net gas plant	<u>19,615,617</u>	<u>18,494,001</u>	<u>1,121,616</u>	6.06%
Water System				
Land	479,809	480,614	(805)	-0.17%
Utility plant	113,895,037	109,574,394	4,320,643	3.94%
Construction in progress	1,962,578	4,095,474	(2,132,896)	-52.08%
Less: Accumulated depreciation	(48,793,360)	(46,572,332)	2,221,028	4.77%
Net water plant	<u>67,544,064</u>	<u>67,578,150</u>	<u>(34,086)</u>	-0.05%
Wastewater System				
Land	1,210,086	1,210,086	-	0.00%
Utility plant	126,932,889	119,834,496	7,098,393	5.92%
Construction in progress	13,287,948	14,144,377	(856,429)	-6.05%
Less: Accumulated depreciation	(48,233,776)	(45,724,039)	2,509,737	5.49%
Net wastewater plant	<u>93,197,147</u>	<u>89,464,920</u>	<u>3,732,227</u>	4.17%
Administrative System				
Land	71,407	71,407	-	0.00%
Buildings	5,482,773	5,458,317	24,456	0.45%
Construction in progress	333,334	75,890	257,444	339.23%
Less: Accumulated depreciation	(3,658,058)	(3,556,710)	101,348	2.85%
Net administration system	<u>\$ 2,229,456</u>	<u>\$ 2,048,904</u>	<u>\$ 180,552</u>	8.81%

Debt Administration

The Utility has outstanding debt payable of \$71 million as of September 30, 2015. Principal payments are due in the upcoming fiscal year in the amount of \$5 million with interest payments totaling approximately \$2 million also due. Details relating to the debt can be found in Note 3E to the financial statements. The Utility also has no current plans to issue new debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Utility's finances for all those with an interest in the Utility's finances and to demonstrate the Utility's accountability for the funds it receives. Questions concerning any information provided in this report or requests for any additional information should be directed to the Business Manager and CFO of the Municipal Utilities Board of Decatur, 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, 2015

	Electric	Gas	Water	Wastewater	Administrative	(Memo Only) Total
Assets						
Current assets						
Cash and cash equivalents	\$ 13,416,317	\$ 6,339,614	\$ 2,237,613	\$ 13,153,741	\$ 6,028,591	\$ 41,175,876
Receivables						
Accounts (net of allowance)	8,145,923	525,925	999,103	1,121,740	605,300	11,397,991
Other accounts receivable	134,307	6,303	546,787	15,740	25,839	728,976
City of Decatur	155,622	4,661	31,083	22,704	9,956	224,026
Current note receivable - other funds	-	-	-	600,000	-	600,000
Stored natural gas	-	312,457	-	-	-	312,457
Materials and supplies	947,547	106,790	346,126	35,817	-	1,436,280
Accrued utility revenue	1,980,668	-	-	-	-	1,980,668
Other current assets	60,387	42,481	58,098	36,558	61,949	259,473
Total current assets	24,840,771	7,338,231	4,218,810	14,986,300	6,731,635	58,115,747
Noncurrent assets						
Restricted cash and equivalents	2,126,800	809,410	10,543,593	27,117,688	5,000	40,602,491
Capital assets, not being depreciated						
Land	721,209	124,816	479,809	1,210,086	71,407	2,607,327
Work in process	1,866,132	156,802	1,962,578	13,287,948	333,334	17,606,794
Capital assets, net of accumulated depreciation						
Utility plant	38,551,415	19,333,999	65,101,677	78,699,113	1,824,715	203,510,919
Total capital assets	41,138,756	19,615,617	67,544,064	93,197,147	2,229,456	223,725,040
Other assets	2,095,203	-	-	-	-	2,095,203
Energy service loans receivable	-	-	-	1,600,000	-	1,600,000
Long term note receivable - other funds	10,210	5,106	18,042	10,626	5,672	49,656
Other charges receivable	2,105,413	5,106	18,042	1,610,626	5,672	3,744,859
Total other assets	70,211,740	27,768,364	82,324,509	136,911,761	8,971,763	326,188,137
Deferred outflows of resources						
Pension contributions subsequent to the measurement date	615,204	191,087	391,462	284,130	-	1,481,883
Total deferred outflows of resources	615,204	191,087	391,462	284,130	-	1,481,883
Combined assets and deferred outflows of resources	\$ 70,826,944	\$ 27,959,451	\$ 82,715,971	\$ 137,195,891	\$ 8,971,763	\$ 327,670,020

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

MUNICIPAL UTILITIES BOARD OF DECATUR
STATEMENT OF NET POSITION
September 30, 2015

	Electric	Gas	Water	Wastewater	Administrative	(Memo Only) Total
Liabilities						
Current liabilities						
Accounts payable	\$ 8,055,931	\$ 787,998	\$ 366,635	\$ 546,967	\$ 910,697	\$ 10,668,228
Due to City of Decatur general fund	-	63,261	50,201	79,002	324,732	517,196
Accrued payroll and other expense	485,616	195,161	326,427	241,208	34,171	1,282,583
Customer deposits	-	-	-	-	3,705,944	3,705,944
Total current liabilities	8,541,547	1,046,420	743,263	867,177	4,975,544	16,173,951
Liabilities payable from restricted assets						
Current maturities of revenue warrants	-	-	1,990,000	3,055,000	-	5,045,000
Current note payable - other funds	-	-	600,000	-	-	600,000
Interest payable	-	-	270,723	260,724	-	531,447
Total liabilities payable from restricted assets	-	-	2,860,723	3,315,724	-	6,176,447
Noncurrent liabilities						
Long term debt payable, net of costs	-	-	18,963,257	46,612,551	-	65,575,808
Long term note payable - other funds	-	-	1,600,000	-	-	1,600,000
Compensated absences	182,267	1,864	98,246	103,446	443,283	829,106
Energy service loans payable	2,095,203	-	-	-	-	2,095,203
Postemployment benefits	1,632,603	612,579	1,102,677	831,604	-	4,179,463
Net pension liability	6,744,596	2,412,235	4,289,441	3,273,262	-	16,719,534
Other unearned credits	199,435	733,488	155,435	17,900	-	1,106,258
Total noncurrent liabilities	10,854,104	3,760,166	26,209,056	50,838,763	443,283	92,105,372
Total liabilities	19,395,651	4,806,586	29,813,042	55,021,664	5,418,827	114,455,770
Deferred inflows of resources						
Net difference between projected and actual earnings on pension plan investments	360,137	123,286	225,538	174,810	-	883,771
Combined liabilities and deferred inflows of resources	19,755,788	4,929,872	30,038,580	55,196,474	5,418,827	115,339,541
Net position						
Net investment in capital assets	41,138,756	19,615,617	46,590,807	43,529,596	2,229,456	153,104,232
Restricted	2,126,800	809,410	10,272,870	26,856,964	5,000	40,071,044
Unrestricted	7,805,600	2,604,552	(4,186,286)	11,612,857	1,318,480	19,155,203
Total net position	\$ 51,071,156	\$ 23,029,579	\$ 52,677,391	\$ 81,999,417	\$ 3,552,936	\$ 212,330,479

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, 2015

	Electric	Gas	Water	Wastewater	Administrative	(Memo Only) Total
Operating revenues						
Charges for sales and services (net of adjustments and allowances)	\$ 93,853,235	\$ 16,477,413	\$ 11,424,767	\$ 14,845,869	\$ -	\$ 136,601,284
Other revenue	1,691,465	186,178	1,064,794	1,457,723	-	4,400,160
Total operating revenues	<u>95,544,700</u>	<u>16,663,591</u>	<u>12,489,561</u>	<u>16,303,592</u>	<u>-</u>	<u>141,001,444</u>
Operating expenses						
Costs of sales and services	82,504,546	12,809,361	4,333,174	3,143,772	-	102,790,853
Operations expenses	1,795,408	784,309	693,391	1,099,476	-	4,372,584
Maintenance expenses	1,408,122	291,107	495,685	603,536	-	2,798,450
Customer service expenses	671,286	302,762	576,051	227,118	-	1,777,217
Administrative expenses	3,152,756	1,320,406	2,301,256	1,777,941	-	8,552,359
Depreciation expense	2,241,946	843,794	2,737,898	3,099,084	-	8,922,722
Total operating expenses	<u>91,774,064</u>	<u>16,351,739</u>	<u>11,137,455</u>	<u>9,950,927</u>	<u>-</u>	<u>129,214,185</u>
Operating income (loss)	<u>3,770,636</u>	<u>311,852</u>	<u>1,352,106</u>	<u>6,352,665</u>	<u>-</u>	<u>11,787,259</u>
Non-operating revenues (expenses)						
Interest income	41,831	18,326	20,083	56,417	-	136,657
Other non-operating revenue	313	1,160	294	125	-	1,892
Amortization expense	-	-	(76,371)	(3,072)	-	(79,443)
Interest expense	(775)	(262)	(755,725)	(1,626,785)	-	(2,383,547)
Miscellaneous income deduction	(5,056)	-	-	-	-	(5,056)
Gain (loss) on sale	29,440	(182)	(2,231)	(30)	-	26,997
Total non-operating revenues (expenses)	<u>65,753</u>	<u>19,042</u>	<u>(813,950)</u>	<u>(1,573,345)</u>	<u>-</u>	<u>(2,302,500)</u>
Income (loss) before transfers and contributions	<u>\$ 3,836,389</u>	<u>\$ 330,894</u>	<u>\$ 538,156</u>	<u>\$ 4,779,320</u>	<u>\$ -</u>	<u>\$ 9,484,759</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, 2015

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>	<u>(Memo Only)</u> <u>Total</u>
Transfers and capital contributions						
Transfers to City of Decatur - in lieu of taxes	\$ (1,686,102)	\$ (165,447)	\$ (565,018)	\$ (610,585)	\$ -	\$ (3,027,152)
Income (loss) before contributions	<u>2,150,287</u>	<u>165,447</u>	<u>(26,862)</u>	<u>4,168,735</u>	<u>-</u>	<u>6,457,607</u>
Capital contributions	<u>-</u>	<u>81,518</u>	<u>608,413</u>	<u>399,065</u>	<u>-</u>	<u>1,088,996</u>
Change in net position	<u>2,150,287</u>	<u>246,965</u>	<u>581,551</u>	<u>4,567,800</u>	<u>-</u>	<u>7,546,603</u>
Total net position - beginning	<u>55,510,178</u>	<u>25,141,690</u>	<u>56,288,032</u>	<u>80,629,505</u>	<u>3,552,936</u>	<u>221,122,341</u>
Restatement of net position - GASB Statement No. 68 and 71	<u>(6,589,309)</u>	<u>(2,359,076)</u>	<u>(4,192,192)</u>	<u>(3,197,888)</u>	<u>-</u>	<u>(16,338,465)</u>
Total net position - beginning (restated)	<u>48,920,869</u>	<u>22,782,614</u>	<u>52,095,840</u>	<u>77,431,617</u>	<u>3,552,936</u>	<u>204,783,876</u>
Total net position - ending	<u>\$ 51,071,156</u>	<u>\$ 23,029,579</u>	<u>\$ 52,677,391</u>	<u>\$ 81,999,417</u>	<u>\$ 3,552,936</u>	<u>\$ 212,330,479</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, 2015

	Electric	Gas	Water	Wastewater	Administrative	(Memo Only) Totals
Cash flows from operating activities:						
Cash received from consumers	\$ 96,416,965	\$ 17,045,727	\$ 11,964,162	\$ 16,415,683	-	\$ 141,842,537
Cash paid to suppliers of goods and services	(82,697,409)	(12,711,467)	(3,425,313)	(3,288,727)	\$ (4,154,533)	(106,277,449)
Cash paid to employees for services	(4,994,956)	(2,104,673)	(4,162,203)	(3,298,234)	-	(14,560,066)
Net change in energy service loans payable	93,715	-	-	-	-	93,715
Net change in energy service loans receivable	(93,715)	-	-	-	-	(93,715)
Interest paid on customer deposits	-	-	-	-	1,209	1,209
Net change in customer deposits	-	-	-	-	79,977	79,977
Net cash provided (used) by operating activities	<u>8,724,600</u>	<u>2,229,587</u>	<u>4,376,646</u>	<u>9,828,722</u>	<u>(4,073,347)</u>	<u>21,086,208</u>
Cash flows from non-capital financing activities:						
Advances between funds	-	-	(600,000)	600,000	-	-
Operating transfer out - City of Decatur & tax equivalents	<u>(1,686,102)</u>	<u>(165,447)</u>	<u>(565,018)</u>	<u>(610,585)</u>	<u>-</u>	<u>(3,027,152)</u>
Net cash provided (used) by non-capital financing activities	<u>(1,686,102)</u>	<u>(165,447)</u>	<u>(1,165,018)</u>	<u>(10,585)</u>	<u>-</u>	<u>(3,027,152)</u>
Cash flows from capital and related financing activities:						
Construction and acquisition of capital assets	(3,141,391)	(2,012,141)	(2,718,690)	(6,932,776)	(364,067)	(15,169,065)
Capital contributed by customers	-	81,517	608,413	399,065	-	1,088,995
Principal paid on debt	-	-	(1,930,000)	(2,965,000)	-	(4,895,000)

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, 2015

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>	<u>(Memo Only)</u> <u>Totals</u>
Interest paid on debt	(775)	(262)	(778,859)	(1,639,259)	-	(2,419,155)
Net cash provided (used) by capital and related financing activities	(3,142,166)	(1,930,886)	(4,819,136)	(11,137,970)	(364,067)	(21,394,225)
Cash flows from investing activities:						
Decrease (increase) in restricted assets	(2,126,800)	(809,410)	1,474,718	5,187,006	3,445,014	7,170,528
Income (expense) from other non-operating revenue	24,697	979	(1,937)	95	-	23,834
Interest received	41,831	18,326	20,083	56,417	-	136,657
Net cash provided (used) by investing activities	(2,060,272)	(790,105)	1,492,864	5,243,518	3,445,014	7,331,019
Net increase (decrease) in cash and cash equivalents	\$ 1,836,060	\$ (656,851)	\$ (114,644)	\$ 3,923,685	\$ (992,400)	\$ 3,995,850
Cash and cash equivalents - beginning	11,580,257	6,996,465	2,369,686	9,230,056	7,020,991	37,197,455
Cash and cash equivalents - ending	<u>\$ 13,416,317</u>	<u>\$ 6,339,614</u>	<u>\$ 2,255,042</u>	<u>\$ 13,153,741</u>	<u>\$ 6,028,591</u>	<u>\$ 41,193,305</u>
Cash and cash equivalents	13,416,317	6,339,614	2,237,613	13,153,741	6,028,591	41,175,876
Unrestricted cash and cash equivalent	\$ 13,416,317	\$ 6,339,614	\$ 2,237,613	\$ 13,153,741	\$ 6,028,591	\$ 41,175,876

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, 2015

	Electric	Gas	Water	Wastewater	Administrative	(Memo Only) Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ 3,770,636	\$ 311,852	\$ 1,352,106	\$ 6,352,665	\$ -	\$ 11,787,259
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation expense	2,381,204	890,525	2,770,205	3,200,549	183,515	9,425,998
Pension contributions in excess of actuarially determined pension expense	(99,780)	(14,642)	(68,675)	(33,946)	-	(217,043)
Changes in assets and liabilities:						
Receivables	354,315	264,993	(86,208)	(45,104)	(42,034)	445,962
Due from City	(37,689)	40,464	(527,644)	139,295	(853)	(386,427)
Unbilled revenues	498,153	-	-	-	-	498,153
Materials and supplies	13,904	(82,624)	40,113	715	-	(27,892)
Energy service loans receivable	(93,715)	-	-	-	-	(93,715)
Energy service loans payable	93,715	-	-	-	-	93,715
Other current assets (prepaid)	(42,961)	2,303	(42,226)	(30,687)	(21,202)	(134,773)
Other charges	(9,710)	537,192	(4,892)	(10,626)	(5,672)	506,292
Accounts payable and other accruals	1,745,327	314,461	855,414	237,961	(4,267,478)	(1,114,315)
Customer deposits	-	-	-	-	80,377	80,377
Other credits	151,201	(34,937)	88,453	17,900	-	222,617
Net cash provided (used) by operating activities	<u>\$ 8,724,600</u>	<u>\$ 2,229,587</u>	<u>\$ 4,376,646</u>	<u>\$ 9,828,722</u>	<u>\$ (4,073,347)</u>	<u>\$ 21,086,208</u>

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

MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

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

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

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

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

MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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 a term of less than three months.

Receivables and payables

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

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

Materials and Supplies

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

Other Current Assets

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

Stored Natural Gas

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

Restricted assets

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

MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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, 2015

Impact of Recently Issued Accounting Pronouncements

In March of 2012, the GASB issued Statement No. 68, *Accounting and financial reporting for pensions – an amendment to GASB Statement No. 27* and in November 2013 issued statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Statement No. 68 improves accounting and financial reporting by state and local governments for pensions and is effective for fiscal years beginning after June 15, 2014. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement No. 68 and 71 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. These pension standards include significant changes to how governmental employers will report liabilities related to pension obligation. The Utility has implemented GASB Statements No. 68 and 71 for the year ended September 30, 2015. This implementation resulted in the reporting of deferred outflows and inflows related to pensions and net pension liability on the Statement of Net Position and a restatement of beginning net position.

Net Position Flow Assumption

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

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.

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.

MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Custodial credit risk

Decatur Utilities pools cash bank deposits for all systems. At fiscal year end, the carrying amount of book balance was \$81,778,367. The bank balances were \$81,721,811, including restricted cash in the Improvement Fund and the Replacement and Extension Fund. Of the bank balances, \$500,000 was covered by federal depository insurance. The remaining balance was covered by the State of Alabama through the Security for Alabama Funds Enhancement Act (SAFE) program.

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

The Series 1997, 2010 and 2013 Wastewater System Warrant Funds are invested in a bank investment account, which is covered by the State of Alabama through the Security for Alabama Funds Enhancement Act (SAFE) program. Additionally, the Warrant Fund is a trust account held in Decatur Utilities' name as required by the bond indenture.

B. Receivables

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

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>
Customer accounts receivable	\$ 8,308,678	\$ 571,567	\$ 1,015,571	\$ 1,155,338	\$ 605,300
Allowance	(162,755)	(45,642)	(16,468)	(33,598)	-
Net accounts receivable	<u>\$ 8,145,923</u>	<u>\$ 525,925</u>	<u>\$ 999,103</u>	<u>\$ 1,121,740</u>	<u>\$ 605,300</u>

C. Inter-fund Receivables and Payables and Transfers

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

MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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 \$.10 per 1000 gallons of water charged to wholesale customers. The Wastewater System collects and pays a monthly sum equal to \$.0205 per 1000 gallons of wastewater charged to all customers to the City General fund. In addition, the Wastewater System collects and pays \$.1350 per 1000 gallons of wastewater charged to customers to the Sewer Revolving Fund, a City Debt Service fund.

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	\$ 155,622	\$ -
Gas	4,661	63,261
Water	31,083	50,201
Sewer	22,704	79,002
Administrative (Garbage)	9,956	324,732
Total	<u>\$ 224,026</u>	<u>\$ 517,196</u>

The following amounts are due from/due to Water and Wastewater Systems. These amounts include balances for notes payable to Wastewater from Water.

Due to Wastewater	Due from Water
<u>\$ 2,200,000</u>	<u>\$ 2,200,000</u>

D. Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Additions	Deletions	Reclassification	Ending Balance
Electric System					
Land	723,709		(2,500)	-	721,209
Utility Plant	76,352,340	2,096,912	(933,610)	-	77,515,642
Construction in progress	986,758	879,374	-	-	1,866,132
Less: Accumulated depreciation	(37,684,238)	(2,071,271)	791,282	-	(38,964,227)
Net Electric Plant	<u>40,378,569</u>	<u>905,015</u>	<u>(144,828)</u>	<u>-</u>	<u>41,138,756</u>
Gas System					
Land	124,816	-	-	-	124,816
Utility Plant	33,170,698	1,997,298	(237,790)	-	34,930,206
Construction in progress	107,683	49,119	-	-	156,802
Less: Accumulated depreciation	(14,909,196)	(935,277)	248,266	-	(15,596,207)
Net Gas Plant	<u>18,494,001</u>	<u>1,111,140</u>	<u>10,476</u>	<u>-</u>	<u>19,615,617</u>

MUNICIPAL UTILITIES BOARD OF DECATUR
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

Water System

Land	480,614	-	(805)	-	479,809
Utility Plant	109,574,394	4,917,778	(597,135)	-	113,895,037
Construction in progress	4,095,474	(2,132,896)	-	-	1,962,578
Less: Accumulated depreciation	<u>(46,572,332)</u>	<u>(2,819,146)</u>	<u>598,118</u>	-	<u>(48,793,360)</u>
Net Water Plant	<u>67,578,150</u>	<u>(34,264)</u>	<u>178</u>	-	<u>67,544,064</u>

Wastewater System

Land	1,210,086	-	-	-	1,210,086
Utility Plant	119,834,496	7,791,003	(692,610)	-	126,932,889
Construction in progress	14,144,377	(856,429)	-	-	13,287,948
Less: Accumulated depreciation	<u>(45,724,039)</u>	<u>(3,221,287)</u>	<u>711,550</u>	-	<u>(48,233,776)</u>
Net Wastewater Plant	<u>89,464,920</u>	<u>3,713,287</u>	<u>18,940</u>	-	<u>93,197,147</u>

Administrative System

Land	71,407	-	-	-	71,407
Buildings	5,458,317	106,623	(82,167)	-	5,482,773
Construction in progress	75,890	257,444	-	-	333,334
Less: Accumulated depreciation	<u>(3,556,710)</u>	<u>(183,515)</u>	<u>82,167</u>	-	<u>(3,658,058)</u>
Net Administration Plant	<u>2,048,904</u>	<u>180,552</u>	<u>-</u>	-	<u>2,229,456</u>

Depreciation expense amounted to \$8,922,722 charged to operations and \$309,846 charged to other operating accounts and construction in progress in 2015.

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>\$2,241,946</u>	<u>\$843,794</u>	<u>\$2,737,898</u>	<u>\$3,099,084</u>	<u>\$-</u>
Depreciation allocated to other operating accounts and construction in progress	<u>139,258</u>	<u>46,731</u>	<u>32,307</u>	<u>101,465</u>	<u>183,515</u>
Depreciation expense per the Statement of Cash Flows	<u>\$2,381,204</u>	<u>\$890,525</u>	<u>\$2,770,205</u>	<u>\$3,200,549</u>	<u>\$183,515</u>

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E. Long-term Debt

Electric and Gas Systems

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

Water System Debt

Decatur Utilities and the City issues revenue bonds primarily to finance improvements to the Water System. These bonds are being repaid from revenues derived by Decatur Utilities from the operation of the System after payment of the reasonable and necessary expenses of maintaining the operating system. The 2009 bonds were issued in the amount of \$17,915,000. The 2013 bonds were issued at \$10,410,000. Total bonds outstanding at September 30, 2015 were \$18,180,000 at interest rates ranging from 2.0% to 4.0%. The bonds are expected to mature in 2019 and 2033. The System's unamortized debt expense at September 30, 2015 was \$416,743.

The Alabama Drinking Water Finance Authority (the "Authority") loaned to the Water System \$7,367,402 with funds made available to the Authority by the American Recovery and Reinvestment Act (the "ARRA"). Of this amount, \$3,662,402 was previously forgiven pursuant to the ARRA and recorded as capital contributions on the Statement of Revenues, Expenses, and Changes in Net Position. The Authority required that Decatur Utilities issue a water warrant in the amount of the loan less the ARRA forgiveness portion. The 2009 Series SRF Water Warrants were issued in the amount of \$3,215,000. The 2012 Series SRF Water Warrants were issued in the amount of \$490,000. Total bonds outstanding at September 30, 2015 were \$3,190,000. The bonds are expected to mature in 2031 and 2033.

	<u>10/1/2014</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>9/30/2015</u>	<u>Current</u>
Water Series 2009	9,555,000	-	1,785,000	7,770,000	1,840,000
Water Series 2009/SRF	2,865,000	-	125,000	2,740,000	130,000
Water Series 2012/SRF	470,000	-	20,000	450,000	20,000
Water Series 2013	10,410,000	-	-	10,410,000	-
Unamortized debt expense	(493,114)	-	76,371	(416,743)	76,371
Total	<u>22,806,886</u>	<u>-</u>	<u>2,006,371</u>	<u>20,953,257</u>	<u>2,066,371</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 1997 bonds were issued in the amount of \$2,850,000. The 2010 bonds were issued at \$10,020,000. The 2013 bonds were issued at \$37,125,000. Total bonds outstanding from Series 1997, 2010 and 2013 issues at September 30, 2014 were \$39,770,000 at interest rates ranging from 2.00% to 3.95%. The bonds are expected to mature in 2017, 2020 and 2033. The System's unamortized debt expense at September 30, 2015 was \$63,036. The System's unamortized debt premium at September 30, 2015 was \$(200,586).

The Alabama Water Pollution Control Authority (the "Authority") loaned to the Wastewater System \$15,665,364, with funds made available to the Authority by the American Recovery and Reinvestment Act (the "ARRA"). Of this amount, \$5,135,364 was previously forgiven pursuant to the ARRA and recorded as capital contributions on the Statement of Revenues, Expenses, and Changes in Net Position. The Authority required that Decatur Utilities issue a sewer warrant in the

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amount of the loan less the ARRA forgiveness portion. The 2009 Series SRF/ARRA Wastewater Warrants were issued in the amount of \$10,530,000. Total bonds outstanding at September 30, 2015 were \$8,970,000. The bonds are expected to mature in 2031.

The Alabama Water Pollution Control Authority (the "Authority") loaned to the Wastewater System \$955,000, with funds made available to the Authority. Of this amount, \$100,000 was previously forgiven and recorded as capital contributions on the Statement of Revenues, Expenses, and Changes in Net Position. The Authority required that Decatur Utilities issue a sewer warrant in the amount of the loan less the forgiveness portion. The 2012 Series SRF Wastewater Warrants were issued in the amount of \$855,000. Total bonds outstanding at September 30, 2015 were \$790,000. The bonds are expected to mature in 2033.

	<u>10/1/2014</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>9/30/2015</u>	<u>Current</u>
Bonds:					
Wastewater Series 1997	580,000	-	185,000	395,000	195,000
Wastewater Series 2009/SRF	9,380,000	-	410,000	8,970,000	425,000
Wastewater Series 2010	5,985,000	-	905,000	5,080,000	940,000
Wastewater Series 2012/SRF	825,000	-	35,000	790,000	35,000
Wastewater Series 2013	35,725,000	-	1,430,000	34,295,000	1,460,000
Unamortized debt expense	134,479	-	3,072	137,551	3,072
Total	<u>52,629,479</u>	<u>-</u>	<u>2,968,072</u>	<u>49,667,551</u>	<u>3,058,072</u>

Future maturities of debt across all systems are as follows;

Year ending September 30,	Principal	Interest	Total
2016	\$ 5,045,000	\$ 2,279,046	\$ 7,324,046
2017	5,215,000	2,126,874	7,341,874
2018	5,190,000	1,964,826	7,154,826
2019	5,370,000	1,790,497	7,160,497
2020	4,045,000	1,610,074	5,655,074
2021-2025	16,205,000	6,474,809	22,679,809
2026-2030	18,895,000	3,778,096	22,673,096
2031-2033	10,935,000	731,657	11,666,657
	<u>\$ 70,900,000</u>	<u>\$ 20,755,879</u>	<u>\$ 91,655,879</u>

F. Net Position

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

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Administrative</u>
Net invested in capital assets	\$ 41,138,756	\$ 19,615,617	\$ 46,590,807	\$ 43,529,596	\$ 2,229,456
Restricted	2,126,800	809,410	10,272,870	26,856,964	5,000
Unrestricted	7,805,600	2,604,552	(4,186,286)	11,612,857	1,318,480
Total net position	<u>\$ 51,071,156</u>	<u>\$ 23,029,579</u>	<u>\$ 52,677,391</u>	<u>\$ 81,999,417</u>	<u>\$ 3,552,936</u>

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G. Restricted Assets

The restricted assets consist of the following:

Electric System	<u>September 30, 2015</u>
Schedule of restricted assets	
Other Post Retirement Benefits Fund	2,126,800
Total Restricted Assets	<u>\$ 2,126,800</u>
 Gas System	 <u>September 30, 2015</u>
Schedule of restricted assets	
Other Post Retirement Benefits Fund	809,410
Total Restricted Assets	<u>\$ 809,410</u>
 Water System	 <u>September 30, 2015</u>
Series 2009 and 2013 Warrant Fund:	
U.S. Treasury Obligation Fund	
(variable interest rate)	\$ 6,840,268
 Series 2009 Reserve Fund:	
U.S. Treasury Obligation Fund	
(variable interest rate)	1,726,305
 Improvement Fund:	
Bank checking, included in SAFE program	500,000
Other Post Retirement Benefits Fund	1,434,843
 Series 2009 SRF/ARRA Warrant Fund:	
U.S. Treasury Obligation Fund	
(variable interest rate)	42,177
Total Restricted Assets	<u>\$ 10,543,593</u>
 Wastewater System	 <u>September 30, 2015</u>
Series 1997, 2004, 2010, & 2013 Warrant Fund	
Bank Investment Account	
(interest yield at federal fund rate)	\$ 22,992,676
 Series 2009 Reserve Fund:	
U.S. Treasury Obligation Fund	
(variable interest rate)	2,547,924
Other Post Retirement Benefits Fund	1,077,088
 Replacement and Extension Fund	
Bank checking, included in SAFE program	500,000
Total Restricted Assets	<u>\$ 27,117,688</u>

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Administrative System	<u>September 30, 2015</u>
Schedule of restricted assets	
Workman's Compensation - funds on deposit held by insurance administrator	5,000
Total Restricted Assets	<u>\$ 5,000</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, 2015 is \$1,980,668.

I. Accrued Leave

Accrued PTO at September 30, 2015 is as follows

	<u>September 30, 2014</u>
Electric	\$ 182,267
Gas	1,864
Water	98,246
Wastewater	103,446
Administrative	\$ 443,283

J. Other Charges and Credits

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

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

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

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NOTES TO FINANCIAL STATEMENTS
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NOTE 4 – OTHER INFORMATION

A. Pension Plan

Plan description: The Employees' Retirement System of Alabama, an agency multiple-employer plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years are as follows:
 - a. Two retired members with one from the ranks of retired state employees and none from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant § 36-27-6.

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after attaining age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are calculated based on a

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

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

The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2014, membership consisted of:

	<u>Plan Total</u>	<u>Utility</u>
Retirees and beneficiaries currently receiving benefits	\$ 21,691	\$ 107
Inactive employees entitled to but not yet receiving benefits	1,252	30
Terminated employees not entitled to a benefit	5,048	-
Active members	55,883	169
Total	\$ 83,874	\$ 306

Contributions: Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2015, the Utility's active employee contribution rate was 15.79% of covered employee payroll for tier 1 employees and 13.49% of covered employee payroll for tier 2 employees, and the Utility's average contribution rate to fund the normal and accrued liability costs was 175.10 percent of covered employee payroll.

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The Utility's contractually required contribution rate for the year ended September 30, 2015 was 15.79% of pensionable pay for Tier 1 employees, and 13.49% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, 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 \$1,515,825 for the year ended September 30, 2015.

Net Pension Liability

The Utility's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013 rolled forward to September 30, 2014 using standard roll-forward techniques as shown in the following table:

Total Pension Liability		
as of September 30, 2013 (a)	\$	45,827,625
 Entry Age Normal Cost for		
October 1, 2013 - September 30, 2014 (b)	\$	719,118
 Actual Benefit Payments and Refunds for		
October 1, 2013 - September 30, 2014 (c)	\$	2,858,415
 Total Pension Liability		
as of September 30, 2014		
[(a) x (1.08)] + (b) - [(c) x (1.04)]	\$	47,240,201

Actuarial assumptions: The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

* Net of pension plan expense

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

The actuarial assumptions used in the September 30, 2013 valuation 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, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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

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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:

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

**Includes assumed rate of inflation of 2.50%*

Discount rate: The discount rate used to measure the total pension liability was the long term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at 9/30/2013	\$ 45,827,625	\$ 28,049,480	\$ 17,778,145
Changes for the year:			
Service cost	719,118	-	719,118
Interest	3,551,873	-	3,551,873
Differences between expected and actual experience			
Contributions - employer	-	1,439,683	(1,439,683)
Contributions - employee	-	478,274	(478,274)
Net investment income	-	3,314,923	(3,314,923)
Benefit payments, including refunds of employee contributions	(2,858,415)	(2,858,415)	-
Administrative expense	-	-	-
Transfers among employers	-	96,722	(96,722)
Net changes	1,412,576	2,471,187	(1,058,611)
Balances at 9/30/2014	<u>\$ 47,240,201</u>	<u>\$ 30,520,667</u>	<u>\$ 16,719,534</u>

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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 8%, 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 (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00 %)	Current Rate (8.00 %)	1% Increase (9.00 %)
Utility's net pension liability	\$ 21,709,801	\$ 16,719,534	\$ 12,459,294

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, 2014. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2014. The auditor's report dated June 3, 2015 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended September 30, 2015, the Utility recognized pension expense of \$1,264,842. At September 30, 2015, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	883,771
Employer contributions subsequent to the measurement date	1,481,883	-
Total	\$ 1,481,883	\$ 883,771

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:		
2016	\$	220,943
2017		220,943
2018		220,943
2019		220,943
2020		-
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, 2015, the Utility purchased commercial insurance for all the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage during the year.

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C. Commitments and Contingencies

Under its wholesale power agreement, the Electric System is committed to purchase its electric power and energy requirement from the Tennessee Valley Authority (TVA). The rates for such purchases are subject to review periodically. Additionally, the Electric System has entered into a TVA agreement that allows customers to finance new and/or replacement HVAC units and repay on their monthly utility bill. DU serves as the collection agent for repayment of these loans. The outstanding balance of these loans receivable was \$2,095,203 and the outstanding balance due to TVA for collection of the loans was also \$2,095,203.

Occasionally, the Gas System enters into natural gas purchase commitments to purchase minimum volumes of gas at fixed prices over a one to three year period. 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, 2015, contract commitments total \$1,123,064 for fiscal year 2016 and \$11,600 for fiscal year 2017. At December 31, 2015, no purchase commitments extended beyond December 2017. Additional outstanding commitments were \$835,100 for fiscal year 2016, \$502,900 for fiscal year 2017 and \$87,600 for fiscal year 2018.

D. Other Post Employment Benefits

Decatur Utilities medical and life post-employment benefits were unfunded at September 30, 2015. Management chose to restrict cash to fund post-employment benefits payable as calculated by an actuarial study to fund these benefits. The plan will be funded based upon the calculation of the annual required contribution as calculated based on the actuarial assumptions stated below. Actuarial calculations are based on actuarial cost methods and amortization methods. A stand alone report is available by contacting Steve Pirkle, Decatur Utilities.

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, 2015 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.

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September 30, 2015

Annual required contribution	<u>2013/2014</u>	<u>2014/2015</u>
Normal cost	\$ 528,918	\$ 555,364
Amortization	1,116,867	1,027,987
Interest	32,593	31,357
Total annual required contribution	<u>1,678,378</u>	<u>1,614,708</u>
 Net OPEB Obligation		
Net OPEB obligation - October 1	<u>2,551,206</u>	<u>3,430,247</u>
Annual required contribution	1,678,378	1,614,708
Interest on Net OPEB obligation	102,048	137,210
Adjustment to annual required contribution	<u>(104,479)</u>	<u>(142,044)</u>
Annual OPEB cost	1,675,947	1,609,874
Annual required contribution	<u>(796,906)</u>	<u>(860,658)</u>
Increase in Net OPEB obligation	<u>879,041</u>	<u>749,216</u>
Net OPEB Obligation - September 30	<u><u>3,430,247</u></u>	<u><u>4,179,463</u></u>
 Present Value of Future Benefits as of October 1		
Active employees	16,453,922	17,112,079
Retirees	<u>12,531,256</u>	<u>12,203,724</u>
Total	<u><u>\$ 28,985,178</u></u>	<u><u>\$ 29,315,803</u></u>

Actual contributions made by plan members during the current year were \$227,086; and actual contributions made by the company were \$1,358,483.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefits costs between the employer and plan members to that point. Actuarial calculations reflect long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

REQUIRED SUPPLEMENTARY INFORMATION

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

September 30, 2015

	2014
Total pension liability	
Service cost	\$ 719,118
Interest	3,551,873
Changes in benefit terms	-
Differences between actual & expected experience	-
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(2,858,415)
Net change in total pension liability	1,412,576
Total pension liability - beginning	45,827,625
Total pension liability - ending (a)	47,240,201
 Plan fiduciary net position	
Contributions - employer	1,439,683
Contributions - employee	478,274
Net investment income	3,314,923
Benefit payments, including refunds of employee contributions	(2,858,415)
Administrative expense	96,722
Net change in plan fiduciary net position - beginning	2,471,187
Plan fiduciary net position - beginning	28,049,480
Plan fiduciary net position - ending (b)	30,520,667
 Net pension liability (asset) - ending (a) - (b)	16,719,534
 Plan fiduciary net position as a percentage of total pension liability	64.61%
 Covered - employee payroll	9,655,596
 Net pension liability (asset) as a percentage of covered - employee payroll	173.16%

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

See independent auditor's report.

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

For the Year Ended September 30, 2015

	2014
Actuarially determined contribution	\$ 1,439,683
Contributions in relation to the actuarially determined contribution	1,439,683
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 9,655,596
Contributions as a percentage of covered - employee payroll	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, 2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	27 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

**MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULES OF FUNDING PROGRESS - OTHER
POST-EMPLOYMENT BENEFITS**

September 30, 2015

Post-Employment Schedule of Funding Progress									
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)		
			AL (UAAL) (b) - (a)						
9/30/2013	-	21,692,149	21,692,149		0.00%	8,714,949		248.9%	
9/30/2014	-	22,316,324	22,316,324		0.00%	8,714,949		256.1%	
9/30/2015	-	22,930,269	22,930,269		0.00%	8,976,397		255.5%	

See independent auditor's report.

SUPPLEMENTARY AND OTHER INFORMATION SECTION

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF LONG-TERM DEBT
September 30, 2015

Year Ended September 30,	Wastewater System											
	1997 Series Wastewater Warrants		2009 Series SRF/ARRA Wastewater Warrants		2010 Series Wastewater Warrants		2012 Series SRF Wastewater Warrants		2013 Series Wastewater Warrants		2013 Series Wastewater Warrants	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	195,000	15,601	425,000	313,950	940,000	132,588	35,000	21,725	1,460,000	1,080,481		
2017	200,000	7,900	440,000	299,075	975,000	108,054	35,000	20,763	1,505,000	1,036,681		
2018	-	-	455,000	283,675	1,015,000	82,607	35,000	19,800	1,550,000	991,531		
2019	-	-	470,000	267,750	1,055,000	56,115	35,000	18,838	1,595,000	945,031		
2020	-	-	490,000	251,300	1,095,000	28,580	40,000	17,875	1,645,000	897,181		
2021	-	-	505,000	234,150	-	-	40,000	16,775	1,695,000	847,831		
2022	-	-	525,000	216,475	-	-	40,000	15,675	1,745,000	796,981		
2023	-	-	545,000	198,100	-	-	40,000	14,575	1,795,000	744,631		
2024	-	-	565,000	179,025	-	-	45,000	13,475	1,850,000	690,781		
2025	-	-	585,000	159,250	-	-	45,000	12,238	1,905,000	635,281		
2026	-	-	605,000	138,775	-	-	45,000	11,000	1,960,000	578,131		
2027	-	-	625,000	117,600	-	-	45,000	9,763	2,020,000	519,331		
2028	-	-	650,000	95,725	-	-	50,000	8,525	2,080,000	458,731		
2029	-	-	670,000	72,975	-	-	50,000	7,150	2,150,000	391,131		
2030	-	-	695,000	49,525	-	-	50,000	5,775	2,220,000	321,256		
2031	-	-	720,000	25,200	-	-	50,000	4,400	2,295,000	246,331		
2032	-	-	-	-	-	-	55,000	3,025	2,370,000	168,875		
2033	-	-	-	-	-	-	55,000	1,513	2,455,000	85,925		
	\$ 395,000	\$ 23,501	\$ 8,970,000	\$ 2,902,550	\$ 5,080,000	\$ 407,944	\$ 790,000	\$ 222,890	\$ 34,295,000	\$ 11,436,121		

See independent auditor's report.

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF LONG-TERM DEBT
 September 30, 2015

Year Ended September 30,	Water System											
	2009 Series Water Warrant		2009 Series/SRF Water Warrant		2012 Series/SRF Water Warrant		2013 Series Water Warrant		2012 Series/SRF Water Warrant		2013 Series Water Warrant	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	1,840,000	278,113	130,000	95,900	20,000	12,375	-	328,313	5,045,000	2,279,046	7,324,046	
2017	1,905,000	222,913	135,000	91,350	20,000	11,825	-	328,313	5,215,000	2,126,874	7,341,874	
2018	1,975,000	161,000	140,000	86,625	20,000	11,275	-	328,313	5,190,000	1,964,826	7,154,826	
2019	2,050,000	82,000	145,000	81,725	20,000	10,725	-	328,313	5,370,000	1,790,497	7,160,497	
2020	-	-	150,000	76,650	20,000	10,175	605,000	328,313	4,045,000	1,610,074	5,655,074	
2021	-	-	155,000	71,400	25,000	9,625	625,000	310,163	3,045,000	1,489,944	4,534,944	
2022	-	-	160,000	65,975	25,000	8,938	645,000	291,413	3,140,000	1,395,457	4,535,457	
2023	-	-	165,000	60,375	25,000	8,250	665,000	272,063	3,235,000	1,297,994	4,532,994	
2024	-	-	170,000	54,600	25,000	7,563	685,000	252,113	3,340,000	1,197,557	4,537,557	
2025	-	-	180,000	48,650	25,000	6,875	705,000	231,563	3,445,000	1,093,857	4,538,857	
2026	-	-	185,000	42,350	25,000	6,188	725,000	210,413	3,545,000	986,857	4,531,857	
2027	-	-	190,000	35,875	25,000	5,500	745,000	188,663	3,650,000	876,732	4,526,732	
2028	-	-	200,000	29,225	25,000	4,813	770,000	166,313	3,775,000	763,332	4,538,332	
2029	-	-	205,000	22,225	30,000	4,125	795,000	142,250	3,900,000	639,856	4,539,856	
2030	-	-	210,000	15,050	30,000	3,300	820,000	116,413	4,025,000	511,319	4,536,319	
2031	-	-	220,000	7,700	30,000	2,475	845,000	89,763	4,160,000	375,869	4,535,869	
2032	-	-	-	-	30,000	1,650	875,000	62,300	3,330,000	235,850	3,565,850	
2033	-	-	-	-	30,000	825	905,000	31,675	3,445,000	119,938	3,564,938	
	\$ 7,770,000	\$ 744,026	\$ 2,740,000	\$ 885,675	\$ 450,000	\$ 126,502	\$ 10,410,000	\$ 4,006,670	\$ 70,900,000	\$ 20,755,879	\$ 91,655,879	

See independent auditor's report.

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2015

	Grant Number	Federal CFDA No.	Expenditures
Federal Awards			
United States Environmental Protection Agency Passed through the State of Alabama			
Department of Environmental Management Drinking Water State Revolving Funds	FS010118-02	66.468	(3,699)
Total United States Environmental Protection Agency			(3,699)
Total Federal Awards			(3,699)

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

See independent auditor's report.

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF OPERATING STATISTICS, ELECTRIC - UNAUDITED
September 30, 2015

	For The Fiscal Years Ended September 30,				
	2015	2014	2013	2012	2011
Revenue					
Residential	\$ 32,188,961	\$ 32,250,841	\$ 30,000,453	\$ 30,467,480	\$ 31,804,214
Commercial	7,238,405	7,098,808	6,766,444	6,923,773	6,727,488
Industrial	53,963,746	56,448,547	55,740,205	57,108,543	57,278,548
Street and outdoor lighting	960,276	937,452	936,100	947,157	919,456
Unbilled revenue	(498,153)	167,355	(27,250)	(452,872)	(38,180)
Other operating	1,691,465	1,583,036	1,532,186	1,550,602	1,178,431
Interest and other revenue	66,528	42,845	91,139	61,216	230,148
	<u>\$ 95,611,228</u>	<u>\$ 98,528,884</u>	<u>\$ 95,039,277</u>	<u>\$ 96,605,899</u>	<u>\$ 98,100,105</u>
Expense					
Electric power costs	\$ 82,504,546	\$ 86,383,317	\$ 83,189,202	\$ 84,674,943	\$ 88,479,318
Other operating expenses	7,027,572	6,906,313	6,763,670	6,044,651	6,130,432
Provision for depreciation	2,241,946	2,202,007	2,180,486	2,066,840	2,043,296
Transfer out - tax equivalent	1,686,102	1,662,525	1,674,766	1,659,473	1,642,292
Interest and other expense	775	710	1,578	1,225	584
	<u>93,460,941</u>	<u>97,154,872</u>	<u>93,809,702</u>	<u>94,447,132</u>	<u>98,295,922</u>
Net income (loss)	<u>\$ 2,150,287</u>	<u>\$ 1,374,012</u>	<u>\$ 1,229,575</u>	<u>\$ 2,158,767</u>	<u>\$ (195,817)</u>
Financial					
Plant in service (net)	<u>\$ 41,138,756</u>	<u>\$ 40,378,569</u>	<u>\$ 39,492,857</u>	<u>\$ 39,999,224</u>	<u>\$ 39,438,737</u>
Power in use - KWH					
Residential	349,083,207	354,982,105	335,641,384	336,651,489	369,721,277
Commercial	69,215,844	69,160,759	66,989,598	67,912,406	68,168,820
Industrial	797,374,329	815,033,832	785,497,291	801,907,186	783,148,104
Other customers	7,233,098	7,162,224	7,249,276	7,282,899	7,158,224
Accrued unbilled kWh	<u>(3,263,921)</u>	<u>224,632</u>	<u>(3,761,928)</u>	<u>1,271,039</u>	<u>(553,270)</u>
Total	<u>1,219,642,557</u>	<u>1,246,563,552</u>	<u>1,191,615,621</u>	<u>1,215,025,019</u>	<u>1,227,643,155</u>
Number of customers					
Residential	22,489	22,471	22,483	22,591	22,518
Small commercial	3,322	3,303	3,347	3,314	3,263
Large commercial	549	552	535	549	571
Street and athletic	101	98	88	85	82
Outdoor lighting - code 78	64	63	62	79	79
	<u>26,525</u>	<u>26,487</u>	<u>26,515</u>	<u>26,618</u>	<u>26,513</u>
Line loss	<u>3.08%</u>	<u>2.91%</u>	<u>3.06%</u>	<u>3.17%</u>	<u>2.79%</u>
Miles of line	593	593	593	593	592

See independent auditor's report.

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF OPERATING STATISTICS, GAS - UNAUDITED
September 30, 2015

	For The Fiscal Years Ended September 30,				
	2015	2014	2013	2012	2011
Revenue					
Residential	\$ 4,580,909	\$ 5,321,267	\$ 4,728,467	\$ 4,055,386	\$ 5,110,494
Commercial	3,893,977	4,695,727	4,125,070	3,537,097	4,345,506
Industrial	8,002,527	10,820,674	8,871,649	7,996,461	9,867,708
Other operating	186,178	142,429	122,006	112,397	132,542
Contributed capital	81,518	284,471	358,367	31,965	7,621
Interest and other revenue	19,304	20,814	20,253	29,643	30,074
	<u>\$ 16,764,413</u>	<u>\$ 21,285,382</u>	<u>\$ 18,225,812</u>	<u>\$ 15,762,949</u>	<u>\$ 19,493,945</u>
Expense					
Gas purchased	\$ 12,809,361	\$ 16,069,536	\$ 13,733,336	\$ 12,278,391	\$ 15,521,932
Other operating expenses	2,698,584	2,600,204	2,529,809	2,500,228	2,556,871
Provision for depreciation	843,794	821,620	811,864	726,491	729,843
Transfer out - tax equivalent	165,447	754,655	395,951	112,666	338,705
Interest and other expense	262	240	534	542	268
	<u>16,517,448</u>	<u>20,246,255</u>	<u>17,471,494</u>	<u>15,618,318</u>	<u>19,147,619</u>
Net income (loss)	<u>\$ 246,965</u>	<u>\$ 1,039,127</u>	<u>\$ 754,318</u>	<u>\$ 144,631</u>	<u>\$ 346,326</u>
Financial					
Plant in service (net)	<u>\$ 19,615,617</u>	<u>\$ 18,494,001</u>	<u>\$ 18,289,999</u>	<u>\$ 17,919,366</u>	<u>\$ 17,641,679</u>
MCF's sold					
Residential	502,581	543,646	471,484	361,654	502,630
Commercial	524,976	566,669	479,802	380,827	490,939
Industrial	1,013,603	954,524	915,644	919,713	909,639
Flex	819,805	913,427	939,468	915,873	907,685
Transportation	3,670,212	3,686,898	3,422,345	3,519,010	3,347,768
Total	<u>6,531,177</u>	<u>6,665,164</u>	<u>6,228,743</u>	<u>6,097,077</u>	<u>6,158,661</u>
Number of customers					
Residential	11,961	11,906	11,995	11,943	12,005
Commercial	1,656	1,662	1,649	1,648	1,639
Industrial	31	32	33	36	34
Flex	2	1	1	1	1
Transportation	11	12	12	12	12
	<u>13,661</u>	<u>13,613</u>	<u>13,690</u>	<u>13,640</u>	<u>13,691</u>
Loss percentage	<u>0.17%</u>	<u>0.02%</u>	<u>0.48%</u>	<u>0.62%</u>	<u>1.32%</u>
Miles of mains	420	418	418	415	414

See independent auditor's report.

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF OPERATING STATISTICS, WATER - UNAUDITED
September 30, 2015

	For The Fiscal Years Ended September 30,				
	2015	2014	2013	2012	2011
Revenue					
Residential	\$ 3,888,354	\$ 3,614,808	\$ 3,429,913	\$ 3,704,809	\$ 3,388,147
Commercial	1,584,953	1,563,592	1,614,493	1,703,007	1,607,633
Industrial	4,065,104	4,059,201	3,567,864	3,644,719	3,205,910
Resale	1,754,994	1,550,542	1,419,355	1,513,321	1,185,900
Other operating	1,196,156	1,071,111	923,426	946,526	873,170
Capital contributions	608,413	99,106	220,731	690,789	193,447
Capital contributions - SRF	-	-	-	3,662,402	-
Interest and other revenue	20,083	25,086	21,914	21,865	15,476
	<u>\$ 13,118,057</u>	<u>\$ 11,983,446</u>	<u>\$ 11,197,696</u>	<u>\$ 15,887,438</u>	<u>\$ 10,469,683</u>
Expense					
Treatment expense	4,333,174	4,372,768	3,938,116	3,987,684	4,114,352
Other operating expenses	4,066,382	3,863,095	3,778,248	3,261,267	3,394,659
Provision for depreciation	2,737,898	2,689,556	2,684,308	2,434,989	2,310,943
Transfer out - tax equivalent	565,018	550,689	451,978	491,456	477,480
Interest and other expense	834,034	884,812	734,471	650,634	563,723
	<u>12,536,506</u>	<u>12,360,920</u>	<u>11,587,121</u>	<u>10,826,030</u>	<u>10,861,157</u>
Net income (loss)	<u>\$ 581,551</u>	<u>\$ (377,474)</u>	<u>\$ (389,425)</u>	<u>\$ 5,061,408</u>	<u>\$ (391,474)</u>
Financial					
Plant in service (net)	<u>\$ 67,544,064</u>	<u>\$ 67,578,150</u>	<u>\$ 66,164,202</u>	<u>\$ 67,471,571</u>	<u>\$ 68,010,362</u>
Gallons sold (1000's)					
Residential	1,485,204	1,503,192	1,442,274	1,699,839	1,718,845
Commercial	954,374	985,466	1,080,901	1,198,494	1,296,871
Industrial	4,942,493	4,992,736	4,519,323	4,746,083	4,635,907
Resale	1,922,236	1,940,328	1,907,497	2,087,128	1,803,422
Total	<u>9,304,307</u>	<u>9,421,722</u>	<u>8,949,995</u>	<u>9,731,544</u>	<u>9,455,045</u>
Number of customers					
Residential	22,034	21,989	22,013	21,958	22,049
Commercial	3,201	3,198	3,155	3,149	3,110
Industrial	96	97	83	78	76
Resale	9	11	9	9	9
	<u>25,340</u>	<u>25,295</u>	<u>25,260</u>	<u>25,194</u>	<u>25,244</u>
Loss percentage	<u>3.93%</u>	<u>6.36%</u>	<u>4.27%</u>	<u>2.32%</u>	<u>8.25%</u>
Miles of mains	487	484	484	484	481
Fire hydrants in service	2,032	2,028	2,026	2,019	2,011
Capacity of storage tanks (1000's)	24,000	24,000	24,000	24,000	24,000

See independent auditor's report.

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF OPERATING STATISTICS, WASTEWATER - UNAUDITED
September 30, 2014

	For The Fiscal Years Ended September 30,				
	2015	2014	2013	2012	2011
Revenue					
Residential	\$ 4,582,892	\$ 4,700,816	\$ 4,678,067	\$ 4,801,393	\$ 4,473,786
Commercial	2,623,931	2,669,924	2,845,431	2,905,344	2,703,292
Industrial	7,385,112	6,764,161	5,967,903	6,288,609	5,822,636
Government agencies	253,934	260,112	218,400	136,658	125,084
Other operating	1,457,723	1,394,264	1,399,022	1,203,236	1,216,992
Capital contributions	399,065	22,336	61,250	270,059	213,505
Capital contributions - SRF	-	-	100,000	5,135,364	-
Interest and other revenue	56,512	74,669	59,963	47,499	29,395
	<u>\$ 16,759,169</u>	<u>\$ 15,886,282</u>	<u>\$ 15,330,036</u>	<u>\$ 20,788,162</u>	<u>\$ 14,584,690</u>
Expense					
Treatment expense	3,143,772	3,101,386	3,084,291	2,912,892	3,051,740
Other operating expenses	3,708,071	3,639,724	3,711,084	4,071,672	3,701,346
Provision for depreciation	3,099,084	2,956,611	3,004,088	2,702,094	2,551,590
Transfer out - tax equivalent	610,585	602,341	575,030	592,393	557,350
Interest and other expense	1,629,857	1,697,678	1,177,575	635,640	404,966
	<u>12,191,369</u>	<u>11,997,740</u>	<u>11,552,068</u>	<u>10,914,691</u>	<u>10,266,992</u>
Net income (loss)	<u>\$ 4,567,800</u>	<u>\$ 3,888,542</u>	<u>\$ 3,777,968</u>	<u>\$ 9,873,471</u>	<u>\$ 4,317,698</u>
Financial					
Plant in service (net)	<u>\$ 93,197,147</u>	<u>\$ 89,464,920</u>	<u>\$ 78,913,808</u>	<u>\$ 80,028,707</u>	<u>\$ 80,824,778</u>
Gallons billed (1000's)					
Residential	957,690	991,558	977,116	1,016,578	1,060,630
Commercial	710,384	725,722	779,400	800,116	821,035
Industrial	2,095,428	1,991,381	1,791,050	1,898,262	1,873,565
Government agencies	163,088	164,916	149,472	94,612	86,487
Total	<u>3,926,590</u>	<u>3,873,577</u>	<u>3,697,038</u>	<u>3,809,568</u>	<u>3,841,717</u>
Number of customers					
Residential	18,070	18,005	18,024	17,985	18,057
Commercial	2,240	2,232	2,201	2,191	2,200
Industrial	77	81	71	68	69
Government agencies	1	1	1	1	1
	<u>20,388</u>	<u>20,319</u>	<u>20,297</u>	<u>20,245</u>	<u>20,327</u>
Miles of mains	348	342	342	341	340

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

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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, 2015, and the related notes to the financial statements, which collectively comprise the Municipal Utilities Board of Decatur's basic financial statements, and have issued our report thereon dated December 31, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipal Utilities Board of Decatur's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

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

Purpose of this Report

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

Alexander Thompson Arnold PLLC

Jackson, Tennessee
December 31, 2105

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF FINDINGS
September 30, 2015

No current year findings reported.

MUNICIPAL UTILITIES BOARD OF DECATUR
SCHEDULE OF PRIOR YEAR FINDINGS
September 30, 2015

No prior year findings reported.

Community Service



DU
Community Crew



Here are just a few of the local causes supported by The Crew!

Women's Leadership Council
 GMCBA Homebuilders Show
 Barrels of Love Food Drive
 Kiwanis Pancake Day
 Rotary Daybreak and Noon Clubs
 Dragon Boat Race & Festival
 United Way - Employee Campaign
 United Way - Day of Caring
 United Way - Fore Love & Money
 United Way - United We Jam

Community Action Block Makeover
 Parents & Children Together Touch-A-Truck
 Habitat for Humanity Breakfast
 Public Gas, Water and Power Weeks
 Breast Cancer Awareness
 Endless Opportunities Career Day
 Canned Food Drive for TVO
 MHA Operation Santa Claus
 Safety in a Flash!
 And much, much more!



We connect the River City!



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Decatur, AL 35601

Mailing Address:
P.O. Box 2232
Decatur, AL 35609-2232

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