

**PEACHTREE CITY WATER &  
SEWERAGE AUTHORITY**

**(A COMPONENT UNIT OF PEACHTREE CITY, GEORGIA)**

**FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

# PEACHTREE CITY WATER & SEWERAGE AUTHORITY

## FINANCIAL REPORT SEPTEMBER 30, 2018

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## INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors  
Peachtree City Water & Sewerage Authority  
Peachtree City, Georgia

### Report on the Financial Statements

We have audited the accompanying financial statements of the **Peachtree City Water & Sewerage Authority** (the "Authority"), a blended component unit of Peachtree City, Georgia, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority'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.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Peachtree City Water & Sewerage Authority, a component unit of Peachtree City, Georgia, as of September 30, 2018, and the changes in financial position and cash flows 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 10, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, as of October 1, 2017. This standard changed the accounting for the Authority's goodwill and the related disclosures. Our opinion is not modified with respect to this matter.

**Other Matters***Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2019, on our consideration of the Peachtree City Water & Sewerage Authority'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 Peachtree City Water & Sewerage Authority's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
March 7, 2019

# PEACHTREE CITY WATER & SEWERAGE AUTHORITY

## STATEMENT OF NET POSITION SEPTEMBER 30, 2018

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<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 912,264
Investments	3,282,012
Accounts receivable, net	1,551,425
Prepaid expenses	<u>62,269</u>
Total current assets	<u>5,807,970</u>
<b>RESTRICTED ASSETS</b>	
Cash and cash equivalents	<u>1,600,648</u>
Total restricted assets	<u>1,600,648</u>
<b>CAPITAL ASSETS</b>	
Non-depreciable	2,109,580
Depreciable, net of accumulated depreciation	<u>29,760,737</u>
Total capital assets, net	<u>31,870,317</u>
Total assets	<u>\$ 39,278,935</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred bond refunding loss	\$ 630,887
Goodwill	<u>1,100,001</u>
Total deferred outflows of resources	<u>\$ 1,730,888</u>

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**LIABILITIES**

**CURRENT LIABILITIES**

Payable from current assets:

Accounts payable and accrued expenses

\$ 403,231  
403,231

Payable from restricted assets:

Interest payable

43,062

Revenue bonds payable, current

2,260,000

2,303,062

Total current liabilities

2,706,293

**LONG-TERM LIABILITIES**

Revenue bonds payable, net

16,143,217

Total liabilities

18,849,510

**NET POSITION**

**NET POSITION**

Net investment in capital assets

14,097,987

Restricted for debt service

1,557,586

Unrestricted

6,504,740

Total net position

\$ 22,160,313

**See Notes to Financial Statements.**

# PEACHTREE CITY WATER & SEWERAGE AUTHORITY

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

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<b>Operating revenues:</b>	
Charges for services	\$ 9,753,373
	<hr/>
<b>Operating expenses:</b>	
Salaries, wages, and employee benefits	2,392,536
Plant operations	2,197,793
Consulting and legal	546,558
Amortization expense	66,667
Depreciation expense	3,487,901
Other operating expenses	439,412
Total operating expenses	<hr/> 9,130,867
	<hr/>
Operating income	622,506
	<hr/>
<b>Non-operating revenues (expenses):</b>	
Interest income	32,234
Interest expense	(700,596)
Total non-operating expenses, net	<hr/> (668,362)
	<hr/>
Loss before capital contributions	(45,856)
	<hr/>
<b>Capital contributions</b>	1,608,560
	<hr/>
Change in net position	1,562,704
	<hr/>
<b>Net position, beginning of year, as restated</b>	20,597,609
	<hr/>
<b>Net position, end of year</b>	\$ 22,160,313
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See Notes to Financial Statements.

# PEACHTREE CITY WATER & SEWERAGE AUTHORITY

## STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 9,686,326
Payments to suppliers	(3,121,273)
Payments to employees	(2,479,534)
	4,085,519
Net cash provided by operating activities	4,085,519
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	(1,333,749)
Principal payments on long-term debt	(2,225,000)
Payment of interest on bonds	(523,878)
	(4,082,627)
Net cash used in capital and related financing activities	(4,082,627)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from investments	818,453
Interest received	32,234
	850,687
Net cash provided by investing activities	850,687
Net increase in cash and cash equivalents	853,579
Cash and cash equivalents (including restricted amounts of \$1,573,606), beginning of year	1,659,333
Cash and cash equivalents (including restricted amounts of \$1,600,648), end of year	\$ 2,512,912
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 622,506
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	3,554,568
Changes in assets and liabilities:	
Increase in accounts receivable	(67,047)
Increase in prepaid expenses	(1,211)
Increase in accounts payable	63,701
Decrease in accrued payroll and compensated absences	(86,998)
	(86,998)
Net cash provided by operating activities	\$ 4,085,519
<b>Noncash capital and related financing activities:</b>	
Developer contributions	\$ 1,608,560

See Notes to Financial Statements.



# PEACHTREE CITY WATER & SEWERAGE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018

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### NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of Business**

On March 31, 1987, the General Assembly of the State of Georgia approved enabling legislation to create the Peachtree City Water & Sewerage Authority (the "Authority").

The purpose of the Authority is to manage the sewer systems of Peachtree City, Georgia (the "City") and they are empowered to do all things necessary to accomplish this purpose. The Authority is a utility charged with the collection and treatment of public, commercial, and industrial wastewater within the City. The Authority owns and operates the entire sewer system infrastructure located in Peachtree City. The Authority's related services include waste treatment, maintenance of sewer lines, and installation of new sewer lines.

The Authority is considered to be a blended component unit of Peachtree City, Georgia, as defined by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39 and 61. The City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). The Authority's governing body is the same as that of the City. The Authority and Peachtree City have entered into a sewer agreement whereby the City is obligated to make contract payments when the Authority has insufficient funds to meet the debt service requirements. The contract represents a general obligation of the City to which its full faith and credit are pledged.

#### **Significant Accounting Policies**

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant accounting policies.

#### **Basis of Presentation**

The Authority's financial statements include provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Significant Accounting Policies (Continued)

##### Fund Accounting

The Authority uses one fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

A fund is a separate accounting entity with a self-balancing set of accounts. The fund presented in this report is a Proprietary Fund Type - *Enterprise Fund*. Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

##### Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on the *flow of economic resources measurement focus* and use the *accrual basis of accounting*. With this measurement focus, all assets and liabilities associated with the operation of these funds are included in the statement of net position. Net position is segregated into net investment in capital assets and restricted and unrestricted net position components. Proprietary fund operating statements present increases (revenues) and decreases (expenses) in net position. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

##### Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Significant Accounting Policies (Continued)

##### Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Authority.

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with an original maturity date of three months or less, and customer deposits to be cash equivalents. Investments are stated at fair value.

##### Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond September 30, 2018, are recorded as prepaid expenses.

##### Receivables

All receivables are reported at their gross value and are reduced by the estimated portion that is expected to be uncollectible. Unbilled revenues are recognized at the end of each fiscal year based on billings during the month following the close of the fiscal year.

##### Restricted Assets

The Authority, because of certain bond covenants, is required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt and purchase additional equipment and improvements.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Significant Accounting Policies (Continued)

##### Capital Assets

Capital assets are carried at cost. Donated capital assets are recorded at acquisition value. Capital assets of the Authority are depreciated using the straight-line method over the following useful lives:

Vehicles	5 years
Equipment	10 years
Sewer plants	10 - 25 years
Pump stations	20 years
Pipeline	50 years
Buildings	50 years
Infrastructure	50 years

Maintenance and repairs of capital assets are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition of capital assets, the cost and accumulated depreciation is eliminated from the accounts and a gain or loss is recognized.

##### Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net position is those amounts, because of certain bond covenants, that can be used only to service outstanding debt and purchase additional equipment and improvements.

##### Bond Premium/Discount and Issuance Costs

Bond premiums and discounts are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums and discounts are presented as an addition and reduction, respectively, of the face amount of bonds payable. Bond issuance costs are expensed in the period incurred.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Significant Accounting Policies (Continued)

##### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority had two items that qualified for reporting in this category: deferred bond refunding loss and goodwill. A bond refunding loss results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt. Goodwill results under circumstances in which an asset is acquired and the consideration provided exceeds the net position acquired. This amount is deferred and amortized over the useful life of the asset acquired, starting at the acquisition date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority had no items that qualified for reporting in this category.

##### Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the Authority's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

##### Capital Contributions

Capital contributions consist of capital grants or contributions from developers, customers and other governmental entities.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2. DEPOSITS AND INVESTMENTS

**Custodial Credit Risk – Deposits.** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of September 30, 2018, the Authority's deposits were properly insured and collateralized as defined by GASB pronouncements and the official code of the State of Georgia.

**Interest Rate Risk.** The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of September 30, 2018, the Authority had the following investments:

Investment	Maturity	Fair Value
Government bonds	March 2020 - November 2021	\$ 671,696
Certificates of deposit	October 2018 - May 2020	2,610,316
		\$ 3,282,012

**Fair Value Measurements.** The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. As of September 30, 2018, all of the Authority's investments subject to level disclosure are valued at Level 1.

### NOTE 3. RECEIVABLES

Receivables, including the applicable allowances for uncollectible accounts, consisted of the following at September 30, 2018:

Accounts receivable	\$ 1,582,486
Less allowance for uncollectibles	31,061
Net total receivables	\$ 1,551,425

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 1,609,580	\$ -	\$ -	\$ -	\$ 1,609,580
Construction in progress	1,209,118	279,969	-	(1,489,087)	-
Assets to be disposed of	500,000	-	-	-	500,000
Total	<u>3,318,698</u>	<u>279,969</u>	<u>-</u>	<u>(1,489,087)</u>	<u>2,109,580</u>
Capital assets, being depreciated:					
Land improvements	18,300	-	-	-	18,300
Buildings	1,849,920	74,185	-	-	1,924,105
Vehicles	2,166,548	27,395	-	-	2,193,943
Equipment	1,899,106	126,705	-	-	2,025,811
Infrastructure	373,776	-	-	-	373,776
Sewer plants	26,018,394	384,515	-	168,719	26,571,628
Pump stations	9,747,914	210,183	-	-	9,958,097
Pipeline	16,966,478	1,839,357	-	1,320,368	20,126,203
Total	<u>59,040,436</u>	<u>2,662,340</u>	<u>-</u>	<u>1,489,087</u>	<u>63,191,863</u>
Less accumulated depreciation for:					
Land improvements	18,300	-	-	-	18,300
Buildings	529,572	38,751	-	-	568,323
Vehicles	1,863,432	245,041	-	-	2,108,473
Equipment	1,385,327	160,044	-	-	1,545,371
Infrastructure	42,324	3,766	-	-	46,090
Sewer plants	15,156,832	1,237,573	-	-	16,394,405
Pump stations	6,601,315	1,517,769	-	-	8,119,084
Pipeline	4,346,123	284,957	-	-	4,631,080
Total	<u>29,943,225</u>	<u>3,487,901</u>	<u>-</u>	<u>-</u>	<u>33,431,126</u>
Depreciable property, net	<u>29,097,211</u>	<u>(825,561)</u>	<u>-</u>	<u>1,489,087</u>	<u>29,760,737</u>
Total capital assets, net	<u>\$ 32,415,909</u>	<u>\$ (545,592)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,870,317</u>

Depreciation expense for the year ended September 30, 2018, was \$3,487,901.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. LONG-TERM DEBT

The following is a summary of long-term debt activity of the Water & Sewerage Authority as of and for the year ended September 30, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 19,900,000	\$ -	\$ (2,225,000)	\$ 17,675,000	\$ 2,260,000
Bond premium	840,112	-	(111,895)	728,217	-
Revenue bonds, net	<u>20,740,112</u>	<u>-</u>	<u>(2,336,895)</u>	<u>18,403,217</u>	<u>2,260,000</u>
Compensated absences (in accrued expenses)	181,713	62,434	(121,297)	122,850	122,850
	<u>\$ 20,921,825</u>	<u>\$ 62,434</u>	<u>\$ (2,458,192)</u>	<u>\$ 18,526,067</u>	<u>\$ 2,382,850</u>

On January 30, 2013, the Authority issued \$7,800,000 in 2013A series sewer system revenue bonds with interest rates ranging from 2.0% to 4.0% to fully refund the 2002 Series bonds.

Annual principal installments are due on March 1 and semi-annual interest installments are due on March 1 and September 1, beginning September 1, 2013. The debt service requirements to maturity are as follows:

Fiscal year ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 300,000	\$ 300,000
2020	-	300,000	300,000
2021	-	300,000	300,000
2022	-	300,000	300,000
2023	1,900,000	268,000	2,168,000
2024-2027	5,900,000	484,400	6,384,400
	<u>\$ 7,800,000</u>	<u>\$ 1,952,400</u>	<u>\$ 9,752,400</u>



## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. LONG-TERM DEBT (CONTINUED)

On January 30, 2013, the Authority issued \$20,800,000 in 2013B sewer system revenue bonds with interest rates ranging from .48% to 2.67% in order to advance refund \$18,975,000 of outstanding 2005 Series bonds. The proceeds were deposited into an escrow account to provide for the future debt service payments on the 2005 Series bonds. As a result, that portion of the Series 2005 bonds are considered defeased and have been removed from the Authority's financial statements. The outstanding principal of the defeased bonds is \$13,435,000 as of September 30, 2018.

Annual principal installments are due on March 1 and semi-annual interest installments are due on March 1 and September 1, beginning September 1, 2013. The debt service requirements to maturity are as follows:

Fiscal year ending September 30,	Principal	Interest	Total
2019	\$ 2,260,000	\$ 189,430	\$ 2,449,430
2020	2,300,000	147,676	2,447,676
2021	2,345,000	99,698	2,444,698
2022	2,405,000	44,788	2,449,788
2023	565,000	7,543	572,543
	\$ 9,875,000	\$ 489,135	\$ 10,364,135

The Series 2013A and Series 2013B bonds are limited obligations of the Authority, payable solely from net operating revenues of the system and the contract payments. The Authority and the City have entered into a sewer system agreement whereby the City is obligated to make contract payments when the Authority has insufficient funds to meet the debt service requirements. The contract represents a general obligation of the City to which its full faith and credit are pledged.

### NOTE 6. PROFIT SHARING AND SAVINGS PLANS

All employees of the Authority over 18 years of age and after completing six consecutive months of service are eligible to participate in the Peachtree City Water & Sewerage Authority Profit Sharing and Savings Plan. Participants are 100% vested in profit sharing and matching accounts after five years of service.

The Authority contributes 8% of defined compensation for all eligible employees. If the employee also contributes between 4% and 8% to the Plan, the Authority matches 100% of the employee's contribution up to a max of 8% of the employee's salary.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 6. PROFIT SHARING AND SAVINGS PLANS (CONTINUED)**

The Authority also contributes \$10,000 annually to a Money Purchase Plan and Trust for the sole benefit of the general manager ("GM"). The GM is immediately 100% vested and does not make any voluntary contributions to this plan.

Retirement expense for the year ended September 30, 2018 was \$190,341. These plans were effective June 1, 1998.

### **NOTE 7. RISK MANAGEMENT**

The Authority 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. The Authority has joined together with other governmental entities in the state as part of the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

As part of this risk pool, the Authority is obligated to pay all contributions and assessments as prescribed by the pool; to cooperate with the pool's agents and attorneys; to follow loss reduction procedures established by the fund; and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the fund being required to pay any claim of loss. The Authority is also to allow the pool's agents and attorneys to represent the Authority in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Authority within the scope of loss protection furnished by the fund.

The fund is to defend and protect the members of the fund against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia. The fund is to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Additionally, the Authority has purchased private insurance to cover all other exposure related to risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Settled claims have not exceeded the coverages in the last three fiscal years.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. COMMITMENTS AND CONTINGENCIES

#### Contractual Commitments

As of September 30, 2018, The Authority did not have any contractual commitments on uncompleted contracts.

### NOTE 9. IMPAIRMENT OF LONG-LIVED ASSETS

In August 2001, the Financial Accounting Standards Board issued Statement No. 144, *Accounting for the Impairment of Disposal of Long-lived Assets*. This Statement requires that a single accounting model be used for long-lived assets to be disposed of by sale, and broadens the presentation of discontinued operations to include more disposal transactions. The Statement requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. Subsequent to September 30, 2003, the Authority made a decision to shut down a wastewater treatment facility. This facility had an approximate book value of \$653,000. Estimated undiscounted cash flows are expected to be approximately \$500,000; consequently, an impairment loss of approximately \$153,000 was recognized in the year ended September 30, 2003. The facility is now classified as "assets to be disposed of".

### NOTE 10. CHANGE IN ACCOUNTING PRINCIPLE

The Authority determined that a restatement to beginning net position was required to recognize the change in accounting principle for the implementation of GASB Statement No. 85, *Omnibus 2017*, as of October 1, 2017. This standard requires acquisitions previously reported as goodwill be reclassified as deferred outflows of resources and amortized over the useful life of the asset acquired, starting at the acquisition date.

The restatement is as follows:

Net position, beginning of year, as previously reported	\$ 21,597,608
Adjustment to record amortization expense in accordance with GASB Statement No. 85	<u>(999,999)</u>
Net position, beginning of year, as restated	<u>\$ 20,597,609</u>



**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**

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To the Board of Directors  
Peachtree City Water & Sewerage Authority  
Peachtree City, Georgia

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 Peachtree City Water & Sewerage Authority (the "Authority"), a blended component unit of Peachtree City, Georgia, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 7, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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.

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As part of obtaining reasonable assurance about whether the Authority'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.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
March 7, 2019

# PEACHTREE CITY WATER & SEWERAGE AUTHORITY

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

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### SECTION I SUMMARY OF AUDIT RESULTS

#### Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:  
Material weaknesses identified?  Yes  No

Significant deficiencies identified not considered  
to be material weaknesses?  Yes  No

Noncompliance material to financial statements noted?  Yes  No

#### Federal Awards

There was not an audit of major federal award programs as of September 30, 2018 due to the total amount expended being less than \$750,000.

### SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

### SECTION III STATUS OF PRIOR YEAR FINDINGS

None reported.