

**PEACHTREE CITY WATER AND  
SEWERAGE AUTHORITY**

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

**FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**PEACHTREE CITY WATER AND SEWERAGE AUTHORITY**

**FINANCIAL REPORT  
SEPTEMBER 30, 2016**

---

**TABLE OF CONTENTS**

	<u>Page</u>
<b>INDEPENDENT AUDITOR’S REPORT .....</b>	<b>1 and 2</b>
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS.....</b>	<b>3 - 7</b>
<b>FINANCIAL STATEMENTS</b>	
<b>Statement of Net Position.....</b>	<b>8 and 9</b>
<b>Statement of Revenues, Expenses and Changes in Net Position.....</b>	<b>10</b>
<b>Statement of Cash Flows.....</b>	<b>11</b>
<b>Notes to Financial Statements .....</b>	<b>12 - 22</b>
<b>REPORT ON COMPLIANCE AND ON INTERNAL CONTROL</b>	
<b>Independent Auditor’s Report on Internal Control Over</b>	
<b>Financial Reporting and on Compliance and Other Matters</b>	
<b>Based on an Audit of Financial Statements Performed in</b>	
<b>Accordance with <i>Government Auditing Standards</i> .....</b>	<b>23 and 24</b>
<b>Schedule of Findings and Responses .....</b>	<b>25</b>



## INDEPENDENT AUDITOR'S REPORT

---

**To the Board of Directors  
Peachtree City Water and 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 component unit of Peachtree City, Georgia, as of and for the year ended September 30, 2016, 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.

---

**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, 2016, 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.

**Other Matters****Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 3 through 7) 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2017, 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.



Macon, Georgia  
January 31, 2017

# PEACHTREE CITY WATER & SEWERAGE AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2016

---

As management of the Peachtree City Sewerage Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2016. We encourage readers to read the information presented here in conjunction with the financial statements.

### **Summary of Organization and Business**

The Authority, originally created April 17, 1973 by Act of the Georgia Legislature, operates under provisions of House Bill Number 1132, Act 411, enacted during the 1987 Session of the General Assembly of the State of Georgia as a public, nonprofit corporation. The primary purpose of the Authority is to acquire, operate and maintain facilities that provide for the collection, treatment, and disposal of sewage. Fayette County Water System provides water treatment and distribution to the residents of Peachtree City. The Authority consists of a board that is comprised of five members, appointed by the Peachtree City Council, for five-year, offset terms.

The Authority has no taxing ability. All expenses and costs, including operational and maintenance costs, as well as, Capital Improvements, and Renewal and Replacement Projects, are funded from customer fees and charges. Monthly customer billing is based on water usage.

### **Authority Activities and Highlights**

From management's perspective, the organization is in very stable financial position. The Authority funds its daily operation and maintenance expenses strictly from sewer billings. The Authority is within its debt service covenants and has not incurred long-term debt since the issuance of the Series 2005 Bonds. These bonds were refinanced/refunded in February of 2013 as series 2013 A and 2013 B. The resulting savings over the remaining 10-year life of the bonds, in the amount of \$ 2,859,393 (NPV), will be used to fund rehabilitation projects within the system and delay the need for future rate adjustments.

There were 49 new residential connections and seven new commercial connections in fiscal year 2016. By comparison, the Authority had 37 new residential connections in fiscal year 2015, 33 new connections to the sewer system in fiscal year 2014, 35 connections in fiscal year 2013, 13 connections in fiscal year 2012, 29 connections in fiscal year 2011, and 31 connections in 2010.

The Authority continues to run a lean organization, with employees performing multiple tasks and duties. The Authority employs 25 full-time and four part-time employees. The facilities are staffed 24 hours a day, seven days a week, with additional staff on-call for emergencies. The Authority is highly reliant on technology to maintain its efficiency.

PCWASA began a \$1.2 million, three-year project in 2011 to evaluate the entire collection system. All field data has been gathered on the 200 miles of pipe and 4,079 manholes. PCWASA has conducted approximately \$3.9 million in repairs and rehabilitation as a result of the evaluation.

From the manhole data, 82% of the manholes received a condition grade of "B", 16% a condition grade of "C", and 2% a condition grade of "D". It is estimated to cost approximately \$1.4 million to repair and rehabilitate the "C" and "D" manholes over the next three years. Of the 771 manholes identified as "C" and "D" manholes, PCWASA has completed repair of 220 in FY 2016. An additional 250 manholes will be repaired in FY 2017 with an estimated cost of \$450,000.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### Authority Activities and Highlights (Continued)

Sewer collection system crews have removed 100% of root obstructions identified in the system evaluation. The crew performs on going root removal as preventive maintenance. A comprehensive evaluation of all 34 Emergency Standby Generators has been completed with preventive maintenance or replacement completed.

Nearly 8,500 linear feet of pipe within the sewer collection system was replaced by pipe bursting last year. Pipe bursting, cured-in-place (CIP) lining, and total pipe removal and replacement cost an estimated \$1.9 million in FY 2016. This brings the total pipe replacement within the system as determined by the system evaluation to 16,000 linear feet of pipe bursting, nearly 6,000 linear feet of CIP lining, and complete replacement of 2,800 linear feet of 30" concrete pipe.

Construction is complete for PCWASA Lift Station Number 37 located in the newly annexed area along Georgia Hwy. 54 East. The service area is approximately 50 acres. Additionally, construction is complete for PCWASA Lift Station Number 38 located in the Wilksmoor Village area west of Georgia Hwy. 74 North. The service area will include approximately 1,200 new single family homes, of which almost 60 are complete.

Consultants for PCWASA completed flow studies of the entire system and generated a computer model of the system in FY 2016. The model will be used to evaluate necessary conveyance capacity improvements and identify potential flow issues. The model will also help identify inflow and infiltration (I&I) to the sewer system.

Additional major components of the treatment facilities were replaced and refurbished this past year. For the Rockaway WRF, the work included replacement of the two bar screens and replacement of the 7,100 fine bubble diffusers in SBR basins 3 and 4. The work at the Larry B. Turner WRF included replacement of the biosolids belt press and replacement of the bar screen. A new bar screen was added to the septic receiving station. Total cost for plant improvements was approximately \$1.6 million in FY 2016.

### Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- The assets of the Authority exceeded its liabilities by \$20,435,542 (*net position*). Of this amount, \$8,109,399 (*unrestricted net position*) may be used to meet the Authority's ongoing obligations.
- Total operating revenues of the Authority were \$9,732,007 and total operating expenses were \$7,397,268.
- The Authority's total net position increased \$1,967,516 during fiscal year 2016. This change is further reflected in the Authority's statement of revenues, expenses, and changes in net position.
- The Authority served approximately 10,714 sewer customers and treated approximately 1.08 billion gallons of wastewater.
- The average daily flow for fiscal year 2016 was 2.96 MGD (ADF). The maximum daily flow was 6.32 MGD (ADF).

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The notes to the financial statements contain more detail on some of the information presented in the financial statements. The financial statements of the Authority report information about the Authority 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 information on all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statement of Net Position can be found on pages 8 and 9 of this report.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the fiscal 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 related cash flows. Thus, revenues and expenses are recorded in this statement for some items that will only result in cash flows in future fiscal periods (for example, earned but unused vacation leave). The Statement of Revenues, Expenses and Changes in Net Position can be found on page 10 of this report.

The Statement of Cash Flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets. The Statement of Cash Flows can be found on page 11 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided within the financial statements. The notes to the financial statements can be found on pages 12 through 22 of this report.

### Capital Asset and Debt Administration

**Capital Assets** – At September 30, 2016, the Authority had capital assets of \$32,144,630 (net of accumulated depreciation) invested in land, land improvements, buildings, system improvements, machinery and equipment, furniture and fixtures, and construction in progress. Capital assets increased \$2,555,339 from September 30, 2015, which was the result of current year additions in excess of current year depreciation. Additional information on the Authority's capital assets can be found in Note 4 to the financial statements.

**Debt Administration** – The Authority's debt consists of revenue bonds and compensated absences. At September 30, 2016, the Authority had outstanding long-term debt of \$23,219,035 compared to the September 30, 2015 total of \$25,504,023. Additional information on the Authority's debt can be found in Note 5 to the financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### Financial Statements

**Net Position:** The following table summarizes the changes in net position for the fiscal years ended September 30, 2016 and 2015.

	2016	2015
Current assets	<b>\$ 7,100,391</b>	\$ 9,448,984
Restricted assets	<b>2,041,300</b>	1,763,877
Other assets	<b>2,166,667</b>	2,166,667
Capital assets, net of accumulated depreciation	<b>32,144,630</b>	29,589,291
Total assets	<b>43,452,988</b>	42,968,819
Deferred outflows of resources	<b>1,242,142</b>	1,589,987
Current liabilities, payable from current assets	<b>1,157,660</b>	690,775
Current liabilities, payable from restricted assets	<b>2,249,920</b>	2,231,101
Long-term liabilities	<b>20,852,008</b>	23,168,904
Total liabilities	<b>24,259,588</b>	26,090,780
Net position:		
Net investment in capital assets	<b>10,329,764</b>	5,825,374
Restricted for debt service	<b>1,996,379</b>	1,717,776
Unrestricted	<b>8,109,399</b>	10,924,876
Total net position	<b>\$ 20,435,542</b>	\$ 18,468,026



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Statements (Continued)

**Revenues, Expenses and Changes in Net Position:** The following table illustrates the history of revenues, expenses and changes in net position for the year ended September 30, 2016 and the previous year ended September 30, 2015.

	2016	2015
<b>Operating revenues:</b>		
Charges for services:	\$ 9,732,007	\$ 9,498,954
Total operating revenues	9,732,007	9,498,954
<b>Operating expenses:</b>		
Salaries and related benefits	2,377,623	2,270,750
Plant operations	2,027,628	1,871,174
Consulting and legal	293,943	317,476
Depreciation and amortization	2,279,328	2,173,721
Other operating expenses	418,746	410,138
Total operating expenses	7,397,268	7,043,259
Operating income	2,334,739	2,455,695
<b>Non-operating revenues (expenses):</b>		
Interest income	98,011	14,600
Interest expense and fiscal charges	(804,458)	(839,268)
Total non-operating revenues (expenses), net	(706,447)	(824,668)
Income before capital contributions	1,628,292	1,631,027
<b>Capital contributions</b>	339,224	-
Change in net position	1,967,516	1,631,027
<b>Net position, beginning of year</b>	18,468,026	16,836,999
<b>Net position, end of year</b>	\$ 20,435,542	\$ 18,468,026

### Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Peachtree City Water & Sewerage Authority (PCWASA), 1127 Highway 74 South, Peachtree City, Georgia 30269.

# PEACHTREE CITY WATER AND SEWERAGE AUTHORITY

## STATEMENT OF NET POSITION

SEPTEMBER 30, 2016

---

<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 1,344,634
Investments	4,073,796
Accounts receivable, net	1,628,602
Prepaid expenses	<u>53,359</u>
Total current assets	<u>7,100,391</u>
<b>RESTRICTED ASSETS</b>	
Cash and cash equivalents	<u>2,041,300</u>
Total restricted assets	<u>2,041,300</u>
<b>OTHER ASSETS</b>	
Goodwill, net of accumulated amortization	<u>2,166,667</u>
Total other assets	<u>2,166,667</u>
<b>CAPITAL ASSETS</b>	
Non-depreciable	3,091,631
Depreciable, net of accumulated depreciation	<u>29,052,999</u>
Total capital assets, net	<u>32,144,630</u>
Total assets	<u><u>\$ 43,452,988</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred bond refunding loss	<u>\$ 1,242,142</u>
Total deferred outflows of resources	<u><u>\$ 1,242,142</u></u>

---

**LIABILITIES**

**CURRENT LIABILITIES**

Payable from current assets:

Accounts payable and accrued expenses	\$ 1,157,660
	<u>1,157,660</u>

Payable from restricted assets:

Interest payable	44,920
Revenue bonds payable, current	2,205,000
	<u>2,249,920</u>

Total current liabilities	<u>3,407,580</u>
---------------------------	------------------

**LONG-TERM LIABILITIES**

Revenue bonds payable, net	<u>20,852,008</u>
----------------------------	-------------------

Total liabilities	<u>24,259,588</u>
-------------------	-------------------

**NET POSITION**

**NET POSITION**

Net investment in capital assets	10,329,764
Restricted for debt service	1,996,379
Unrestricted	<u>8,109,399</u>

Total net position	<u>\$ 20,435,542</u>
--------------------	----------------------

**See Notes to Financial Statements.**

**PEACHTREE CITY WATER AND SEWERAGE AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

<b>Operating revenues:</b>	
Charges for services	<u>\$ 9,732,007</u>
<b>Operating expenses:</b>	
Salaries, wages and employee benefits	2,377,623
Plant operations	2,027,628
Consulting and legal	293,943
Depreciation expense	2,279,328
Other operating expenses	418,746
Total operating expenses	<u>7,397,268</u>
Operating income	<u>2,334,739</u>
<b>Non-operating revenues (expenses):</b>	
Interest income	98,011
Interest expense	(804,458)
Total non-operating expenses, net	<u>(706,447)</u>
Income before capital contributions	1,628,292
<b>Capital contributions</b>	<u>339,224</u>
Change in net position	1,967,516
<b>Net position, beginning of year</b>	<u>18,468,026</u>
<b>Net position, end of year</b>	<u><u>\$ 20,435,542</u></u>

**See Notes to Financial Statements.**

# PEACHTREE CITY WATER AND SEWERAGE AUTHORITY

## STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

---

### CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 9,568,007
Payments to suppliers	(2,295,242)
Payments to employees	(2,356,647)
Net cash provided by operating activities	<u>4,916,118</u>

### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	(4,834,667)
Principal payments on long-term debt	(2,185,000)
Payment of interest on bonds	(569,690)
Capital contributions	339,224
Net cash used in capital and related financing activities	<u>(7,250,133)</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(594,815)
Interest received	98,011
Net cash used in investing activities	<u>(496,804)</u>

Net decrease in cash and cash equivalents (2,830,819)

Cash and cash equivalents (including restricted amounts of \$1,763,877), beginning of year 6,216,753

Cash and cash equivalents (including restricted amounts of \$2,041,300), end of year \$ 3,385,934

### RECONCILIATION OF OPERATING INCOME TO NET

#### CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 2,334,739
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	2,279,328
Changes in assets and liabilities:	
Increase in accounts receivable	(164,000)
Increase in prepaid expenses	(834)
Increase in accounts payable	445,909
Increase in accrued payroll and compensated absences	20,976
Net cash provided by operating activities	<u><u>\$ 4,916,118</u></u>

**See Notes to Financial Statements.**

# PEACHTREE CITY WATER AND SEWERAGE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2016

---

### 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 and 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 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 City appoints all board members of the Authority. 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.

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.

#### 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

---

### 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

---

### 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, 2016, 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

---

### 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 the estimated fair value at the date of donation. 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

---

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

#### Significant Accounting Policies (Continued)

##### Deferred Outflows/Inflows of Resources

GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, establish accounting and financial reporting for deferred outflows/inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

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 only one item that qualified for reporting in this category; deferred bond refunding loss. 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.

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

The Authority occasionally receives capital contributions from developers to be used for a specific purpose connected with expansion of facilities and equipment. As required by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, contributions to the Authority are reported as revenue rather than contributed capital.

## 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, 2016, 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, 2016, the Authority had the following investments:

Investment	Maturity	Fair Value
Government bonds	March 2018 - December 2020	\$ 705,705
Certificates of deposit	December 2016 - April 2020	3,368,091
		\$ 4,073,796

**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, 2016, 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, 2016:

Accounts receivable	\$ 1,670,357
Less allowance for uncollectibles	41,755
Net total receivables	\$ 1,628,602

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. CAPITAL ASSETS

Capital asset activity for the Authority for the year ended September 30, 2016, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 1,609,580	\$ -	\$ -	\$ 1,609,580
Construction in progress	761,186	220,865	-	982,051
Assets to be disposed of	500,000	-	-	500,000
Total	<u>2,870,766</u>	<u>220,865</u>	<u>-</u>	<u>3,091,631</u>
Capital assets, being depreciated:				
Land improvements	18,300	-	-	18,300
Buildings	1,849,920	-	-	1,849,920
Vehicles	1,871,117	219,652	-	2,090,769
Equipment	1,368,481	344,437	-	1,712,918
Infrastructure	373,776	-	-	373,776
Sewer plants	24,073,773	1,268,199	-	25,341,972
Pump stations	8,381,883	730,903	-	9,112,786
Pipeline	14,107,511	2,050,611	-	16,158,122
Total	<u>52,044,761</u>	<u>4,613,802</u>	<u>-</u>	<u>56,658,563</u>
Less accumulated depreciation for:				
Land improvements	17,385	915	-	18,300
Buildings	453,554	38,009	-	491,563
Vehicles	1,362,490	258,641	-	1,621,131
Equipment	1,138,578	93,040	-	1,231,618
Infrastructure	34,792	3,766	-	38,558
Sewer plants	12,964,174	1,068,916	-	14,033,090
Pump stations	5,572,531	506,456	-	6,078,987
Pipeline	3,782,732	309,585	-	4,092,317
Total	<u>25,326,236</u>	<u>2,279,328</u>	<u>-</u>	<u>27,605,564</u>
Depreciable property, net	<u>26,718,525</u>	<u>2,334,474</u>	<u>-</u>	<u>29,052,999</u>
Total capital assets, net	<u>\$ 29,589,291</u>	<u>\$ 2,555,339</u>	<u>\$ -</u>	<u>\$ 32,144,630</u>

Depreciation expense for the year ended September 30, 2016 was \$2,279,328.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. LONG-TERM DEBT

The following is a summary of long-term debt activity of the Water and Sewerage Authority as of and for the year ended September 30, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 24,290,000	\$ -	\$ (2,185,000)	\$ 22,105,000	\$ 2,205,000
Bond premium	1,063,904	-	(111,896)	952,008	-
Revenue bonds, net	<u>25,353,904</u>	<u>-</u>	<u>(2,296,896)</u>	<u>23,057,008</u>	<u>2,205,000</u>
Compensated absences (in accrued expenses)	<u>150,119</u>	<u>73,012</u>	<u>(61,104)</u>	<u>162,027</u>	<u>162,027</u>
	<u>\$ 25,504,023</u>	<u>\$ 73,012</u>	<u>\$ (2,358,000)</u>	<u>\$ 23,219,035</u>	<u>\$ 2,367,027</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>
2017	\$ -	\$ 300,000	\$ 300,000
2018	-	300,000	300,000
2019	-	300,000	300,000
2020	-	300,000	300,000
2021	-	300,000	300,000
2022-2026	6,230,000	1,021,000	7,251,000
2027	<u>1,570,000</u>	<u>31,400</u>	<u>1,601,400</u>
	<u>\$ 7,800,000</u>	<u>\$ 2,552,400</u>	<u>\$ 10,352,400</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 \$15,790,000 as of September 30, 2016.

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>
2017	\$ 2,205,000	250,036	\$ 2,455,036
2018	2,225,000	223,878	2,448,878
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 and 2023	<u>2,970,000</u>	<u>52,331</u>	<u>3,022,331</u>
	<u>\$ 14,305,000</u>	<u>\$ 963,049</u>	<u>\$ 15,268,049</u>

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 Peachtree City have entered into a sewer system agreement whereby the City is obligated to make Contract Payments when the Water and Sewerage 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 Peachtree City Water and Sewerage Authority over 18 years of age and after completing one year of service are eligible to participate in the Peachtree City Water and 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 5% of defined compensation for all eligible employees. If the employee also contributes between 4% and 8% to the Plan, the Authority matches 62.5% of the employee's contribution up to a max of 8% of the employee's salary.

## NOTES TO FINANCIAL STATEMENTS

---

### **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, 2016 was \$127,131. 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

---

### NOTE 8. COMMITMENTS AND CONTINGENCIES

#### Contractual Commitments

In addition to the liabilities enumerated in the balance sheet at September 30, 2016, the Authority has contractual commitments on uncompleted contracts of approximately \$744,268.

### 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".





**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***

---

**To the Board of Directors  
Peachtree City Water and 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 and Sewerage Authority (the "Authority"), a component unit of Peachtree City, Georgia, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 31, 2017.

**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.

---

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  
January 31, 2017

**PEACHTREE CITY WATER AND SEWERAGE AUTHORITY**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

---

**SECTION I  
SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of auditor's report issued Unmodified

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

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

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

**Federal Awards**

There was not an audit of major federal award programs as of September 30, 2016 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.