

**PEACHTREE CITY WATER &
SEWERAGE AUTHORITY**

(A COMPONENT UNIT OF PEACHTREE CITY, GEORGIA)

FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2020**

PEACHTREE CITY WATER & SEWERAGE AUTHORITY

FINANCIAL REPORT SEPTEMBER 30, 2020

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INDEPENDENT AUDITOR'S REPORT

**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, 2020, 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 Authority, a component unit of Peachtree City, Georgia, as of September 30, 2020, 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 10) 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 March 17, 2021, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Macon, Georgia
March 17, 2021

PEACHTREE CITY WATER AND SEWERAGE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2020

Authority Activities and Highlights

The overall financial condition of the Peachtree City Water and Sewerage Authority (the "Authority") remained strong during the fiscal year ended September 30, 2020, with minimal impact from the COVID-19 pandemic. The Authority funds its daily operation and maintenance expenses strictly from sewer billings. According to its bond covenants, the Authority is required to generate revenues that are at least equal to 110% of its annual debt services after deducting operating expenses. This is referred to as coverage. For the Fiscal Year 2020, the Authority generated a 176% coverage.

The Authority is administered by its staff. The General Manager of the Authority is charged with the responsibility of daily operation and administration of the Authority. Beginning July 2018, Mr. L.H. (Dan) Davis, Jr., P.E. with Integrated Science & Engineering, Inc. has served as General Manager of the Authority. Since 2018, the Authority has run a lean organization, with employees performing multiple tasks and duties. The Authority employs 26 full-time and two 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.

Financial Highlights

Key financial highlights for Fiscal Year 2020 are as follows:

- The financial position continues to be strong. The Authority's assets exceeded its liabilities by \$27,237,935 (*net position*). Of this amount, \$9,173,333 (*unrestricted net position*) may be used to meet the Authority's ongoing obligations.
- The Authority's total net position at September 30, 2020, increased by \$2,224,507, or 8.89% compared to the previous year. This change is further reflected in the Authority's Statement of Revenues, Expenses, and Changes in Net Position.
- Total operating revenues of the Authority were \$10,059,012, and total operating expenses were \$7,338,203.
- The Authority served approximately 11,546 sewer customers and treated approximately 1.09 billion gallons of wastewater.
- The average daily flow for the Fiscal Year 2020 was 3.727 MGD. The maximum daily flow was 6.30 MGD.

Overview of the Financial Statements

The Financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information that includes the Management's Discussion and Analysis, the basic financial statements, and supplemental information. 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 the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between the two is 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.

MANAGEMENT’S DISCUSSION AND ANALYSIS

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 13 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 notes to the financial statements provide additional information essential to a full understanding of the data provided within the financial statements.

Analysis of Net Position

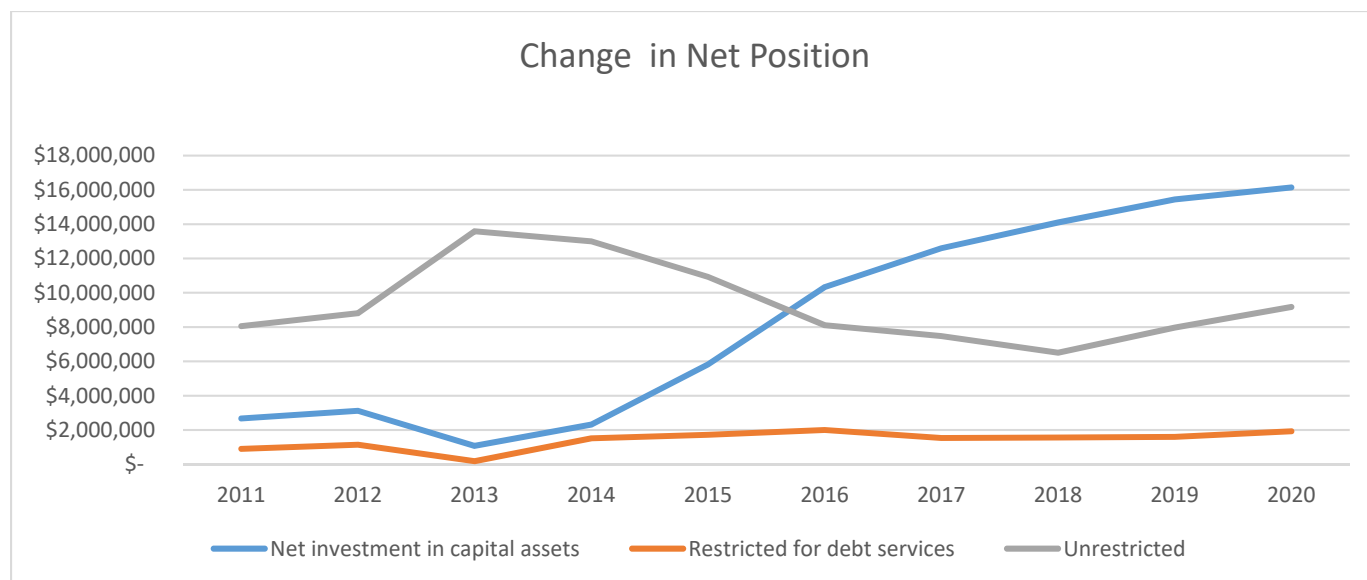
Net Position	2020	2019	\$ Chg.	% Chg.	% Net Position
Net Investment in Capital Assets	\$ 6,141,733	\$ 15,443,376	\$ 698,357	4.5%	59.3%
Restricted	1,922,869	1,596,254	326,615	20.5%	7.1%
Unrestricted	9,173,333	7,973,798	1,199,535	15.0%	33.7%
Total Net Position	<u>\$ 27,237,935</u>	<u>\$ 25,013,428</u>	<u>\$ 2,224,507</u>		100.0%

The largest portion (59.3%) of the Authority’s net position is invested in capital assets (land, infrastructure, plants, and equipment). These assets are used to provide service to Peachtree City residents; consequently, they are not available for future spending. While the Authority’s investment in capital assets is net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Net Investment in Capital Assets increased by \$698,357, or 4.5%, compared to the previous year. The Net Investment in Capital Assets is calculated by taking the depreciated value of the capital assets \$29,565,071 and subtracting the associated outstanding bonds of \$13,423,338. In Fiscal Year 2020, the Authority recognized \$2,046,678 in depreciation expense. The overall increase in this component of net position is due to the completion of capital projects and reduction in outstanding bond principal.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The unrestricted portion of net position can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements. Unrestricted net position increased by \$1,199,535 or 15.0%, compared to the previous year.



Analysis of Current Assets

Current Asset Classification	2020	2019	\$ Chg.	% Chg.	% Current Assets
Unrestricted:					
Cash and cash equivalents	\$ 3,260,239	\$ 1,787,708	\$ 1,472,531	82.37%	30.59%
Investments	3,723,249	3,687,458	35,791	0.97%	34.93%
Accounts receivable, net	1,635,194	1,821,005	(185,811)	-10.20%	15.34%
Prepaid expenses	74,718	108,027	(33,309)	-30.83%	0.70%
Inventory	9,038	12,352	(3,314)		0.08%
	\$ 8,702,438	\$ 7,416,550	\$ 1,285,888		81.64%
Restricted:					
Cash and cash equivalents	1,956,907	1,633,735	323,172		18.36%
	\$ 10,659,345	\$ 9,050,285	\$ 1,609,060		100.00%

Unrestricted Current Assets increased by \$1,472,531 or 82.37% from the previous year due to an increase in net cash flow provided by an increase in overall revenue, savings in expenses, and a decrease in outstanding accounts receivables. As of September 30, 2020, \$3,723,249 of cash was invested with the Georgia Fund 1, which is offered by the State of Georgia to counties and municipalities as a conservative, efficient and liquid investment alternative. Restricted cash consists of cash in the Sinking Fund for the debt service reserves.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Capital Assets

Capital Assets	2020	2019	\$ Chg.	% Chg.
Capital asset not depreciated	\$ 2,109,580	\$ 2,109,580	\$ -	0.00%
Capital assets depreciated	63,954,286	63,514,380	439,906	0.69%
Depreciation	36,498,795	34,535,823	1,962,972	5.68%
Depreciable property, net	27,455,491	28,978,557		
Total capital assets, net	\$ 29,565,071	\$ 31,088,137	\$ (1,523,066)	

The largest portion (59.3%) of the Authority's net position is invested in capital assets (land, infrastructure, building, and equipment). At September 30, 2020, the Authority invested \$29,565,071 (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 \$439,906 from September 30, 2019, which resulted from current year additions in excess of current year depreciation.

Analysis of Current Liabilities

Liabilities	2020	2019	\$ Chg.	% Chg.
Accounts payable	\$ 495,771	\$ 476,086	\$ 19,685	4.1%
Interest payable	34,039	37,481	(3,442)	-9.2%
Revenue bond payable	2,345,000	2,300,000	45,000	2.0%
	\$ 2,874,810	\$ 2,813,567	\$ 61,243	

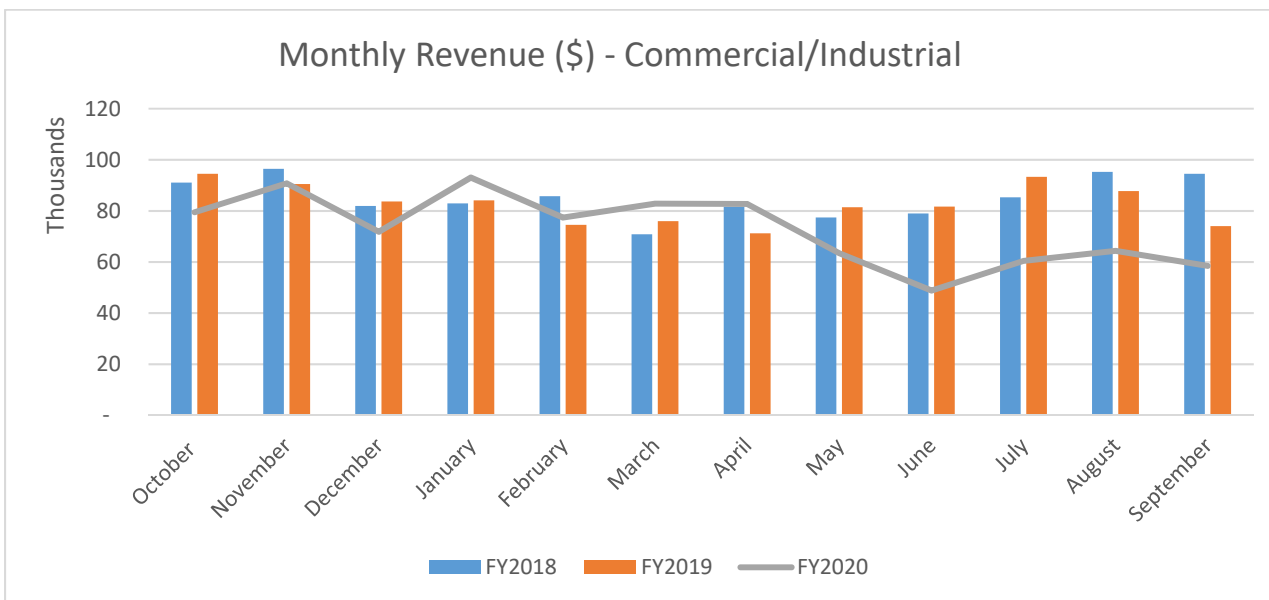
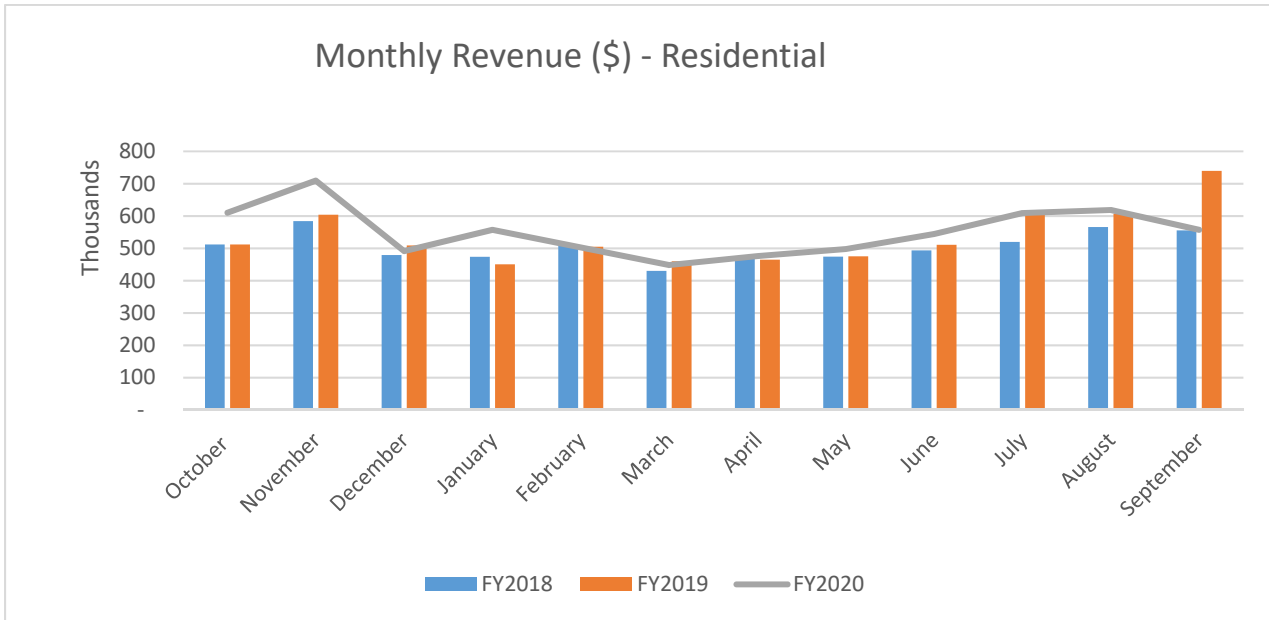
Accounts Payable increased by \$19,685 or 4.1% from the previous year. This is due to a timing difference of payment to vendors between years and properly recognizing expenses in the year they were incurred. The Authority's debt consists of revenue bonds and compensated absences. At September 30, 2020, the Authority had outstanding long-term debt of \$13,711,629 compared to the September 30, 2019 total of \$16,198,277.

Analysis of Revenues

Operating Revenues	2020	2019	\$ Change	% Change	% of Operating Revenue
Sewer Services	\$ 9,334,974	\$ 9,257,667	\$ 77,307	55.20%	92.80%
Other operating revenue	724,038	728,508	(4,470)	-0.61%	7.20%
	\$ 10,059,012	\$ 9,986,175	\$ 72,837	0.73%	100.00%

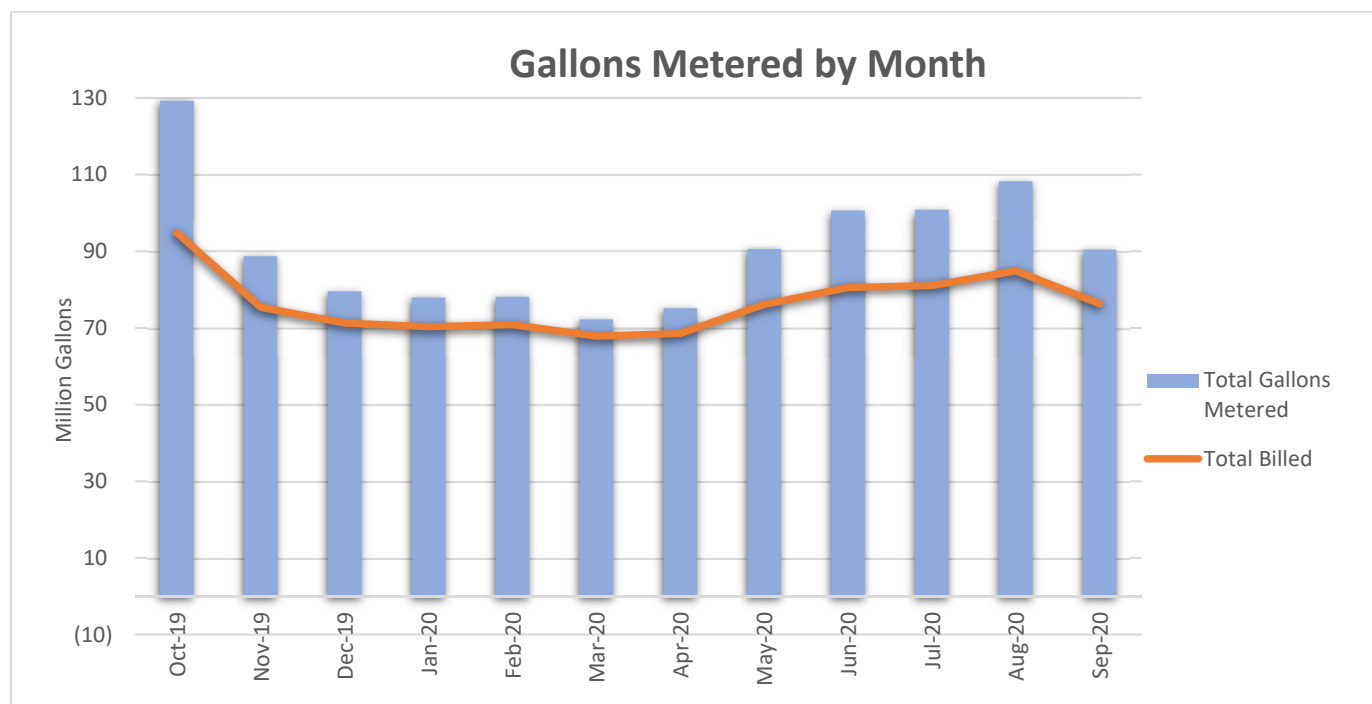
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the 2020 Fiscal Year, the operating revenues of the Authority totaled \$10,059,012, a slight increase of \$72,837 or 0.73% compared to the previous year's revenues of \$9,986,174. The operating revenues are comprised of two categories: sewer service charges and other operating revenues. The revenues from sewer services remained the same as the previous year. The residential revenue increased by \$182,243 or 2.83% from the previous year and is likely due to people working from home. The commercial sewer revenue decreased by \$118,791 or 11.97% compared to the previous year.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Towards the end of Fiscal Year 2020, the Authority noted some reduction in commercial usage and increase in residential usage, which was attributed to the COVID-19 pandemic, with the shutdown of many businesses and people spending more time at home. The commercial usage dropped 15,107,698 gallons or 11.62% compared to the previous year, where residential usage increased by 38,740,663 gallons or 5.24% compared to the previous year.



Analysis of Expenses

Operating Expenses	2020	2019	\$ Change	% Change	% of Operating Expenses
Salaries, wages, and employee benefits	\$ 2,328,967	\$ 2,240,747	\$ 88,220	3.9%	44.6%
Plant operations	1,766,314	1,750,440	15,874	0.9%	33.8%
Consulting and legal	714,492	974,872	(260,380)	-26.7%	13.7%
Other operating expenses	415,085	471,887	(56,802)	-12.0%	7.9%
	5,224,858	5,437,946	(213,088)		100.00%
Depreciation and amortization	2,113,345*	1,171,364	941,981		
Total expenses	\$ 7,338,203	\$ 6,609,310	\$728,893		

*Last year's depreciation expense decreased as a result of the Authority reevaluating and revising the estimated useful life of several capital assets during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Authority maintained its sound financial condition by exercising prudent fiscal discipline. Employment costs increased by 3.9% due to a slight increase in group medical costs and cost of living adjustment. The Authority had two vacancies during 2020, which is also reflected in cost savings. The Authority did not have any furloughs or layoffs because of COVID-19.

For the 2020 Fiscal Year, the operating expenses for the Authority totaled \$7,338,203, an increase of \$728,893 or 11.03% compared to the previous year's expenses of \$6,609,310. Administrative expenses were down by \$213,088 or 3.92% compared to the previous year's operating expenses of \$5,437,946.

Debt Administration

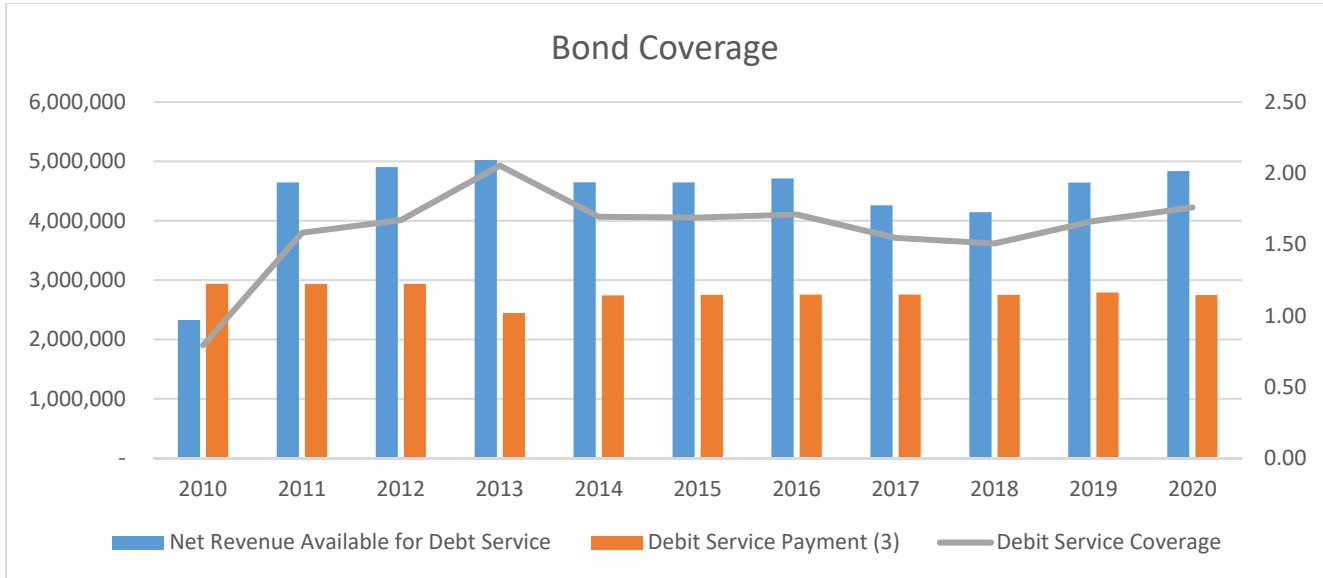
The Authority is within its debt service covenants and has not incurred long-term debt since the issuance of the Series 2005 Bonds. These bonds were refinanced/refunded in February of 2013 as series 2013A and 2013B. As of September 30, 2020, the Authority was obligated to make the annual payments in the following table:

	2013A Series		2013B Series		Total
	Principal	Interest	Principal	Interest	
2021	\$ -	\$ 300,000	\$ 2,345,000	\$ 99,698	\$ 2,744,698
2022	-	300,000	2,405,000	44,787	2,749,787
2023	1,900,000	268,000	565,000	7,543	2,740,543
2024	1,385,000	208,300	-	-	1,593,300
2025	1,440,000	151,800	-	-	1,591,800
2026	1,505,000	92,900	-	-	1,597,900
2027	1,570,000	31,400	-	-	1,601,400
	\$ 7,800,000	\$ 1,352,400	\$ 5,315,000	\$ 152,028	\$ 14,619,428

In the bond resolutions, the Authority covenants and agrees that it will, at all times, prescribe, maintain, and thereafter collect rates and charges for the services and facilities furnished by the Authority, together with other income, that will yield annual net earnings in the fiscal year equal to at least one hundred ten percent (110%) of the sum of the annual debt service payments for all bonds outstanding. "Net Earnings" is defined by the bond resolution to mean, for the period in question, the net operating income of the system (i.e., the Authority) determined in accordance with GAAP, adding back depreciation, and including interest income not restricted to bond construction.

	Debt Coverage Ratio					
	2020	2019	2018	2017	2016	2015
Revenue from operations	\$ 10,059,012	\$ 10,078,705	\$ 9,785,607	\$ 9,843,028	\$ 9,830,018	\$ 9,513,554
Operating expenses	5,224,858	5,437,946	5,642,966	5,584,377	5,117,940	4,869,538
Net earning	4,834,154	4,640,759	4,142,641	4,258,651	4,712,078	4,644,016
Annual debt service	2,747,677	2,789,430	2,748,878	2,755,036	2,754,690	2,749,926
Debt coverage ratio	1.76	1.66	1.51	1.55	1.71	1.69

MANAGEMENT'S DISCUSSION AND ANALYSIS



Requests for Information

This financial report is designed to provide a general overview of 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 and Sewerage Authority, 1127 Highway 74 South, Peachtree City, Georgia 30269.

PEACHTREE CITY WATER & SEWERAGE AUTHORITY

STATEMENT OF NET POSITION SEPTEMBER 30, 2020

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 3,260,239
Investments	3,723,249
Accounts receivable, net	1,635,194
Prepaid expenses	74,718
Inventory	9,038
	<hr/>
Total current assets	8,702,438
	<hr/>
RESTRICTED ASSETS	
Cash and cash equivalents	1,956,907
	<hr/>
Total restricted assets	1,956,907
	<hr/>
CAPITAL ASSETS	
Non-depreciable	2,109,580
Depreciable, net of accumulated depreciation	27,455,491
Total capital assets, net	29,565,071
	<hr/>
Total assets	\$ 40,224,416
	<hr/> <hr/>
DEFERRED OUTFLOWS OF RESOURCES	
DEFERRED OUTFLOWS OF RESOURCES	
Deferred bond refunding loss	\$ 196,087
Goodwill	966,667
	<hr/>
Total deferred outflows of resources	\$ 1,162,754
	<hr/> <hr/>

LIABILITIES

CURRENT LIABILITIES

Payable from current assets:

Accounts payable and accrued expenses

\$ 495,771
495,771

Payable from restricted assets:

Interest payable

34,039

Revenue bonds payable, current

2,345,000

2,379,039

Total current liabilities

2,874,810

LONG-TERM LIABILITIES

Revenue bonds payable, net

11,274,425

Total liabilities

\$ 14,149,235

NET POSITION

NET POSITION

Net investment in capital assets

\$ 16,141,733

Restricted for debt service

1,922,869

Unrestricted

9,173,333

Total net position

\$ 27,237,935

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, 2020

Operating revenues:	
Charges for services	\$ 10,018,371
Operating expenses:	
Salaries, wages and employee benefits	2,328,967
Plant operations	1,766,314
Consulting and legal	714,492
Amortization expense	66,667
Depreciation expense	2,046,678
Other operating expenses	415,085
Total operating expenses	<u>7,338,203</u>
Operating income	<u>2,680,168</u>
Non-operating revenues (expenses):	
Interest income	40,641
Interest expense	(522,812)
Gain on sale of capital assets	26,510
Total non-operating expenses, net	<u>(455,661)</u>
Change in net position	2,224,507
Net position, beginning of year	<u>25,013,428</u>
Net position, end of year	<u>\$ 27,237,935</u>

See Notes to Financial Statements.

PEACHTREE CITY WATER & SEWERAGE AUTHORITY

STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 10,204,182
Payments to suppliers	(2,752,081)
Payments to employees	(2,416,469)
	<hr/>
Net cash provided by operating activities	5,035,632

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	(523,612)
Proceeds from sale of capital assets	26,510
Principal payments on long-term debt	(2,300,000)
Payment of interest on bonds	(447,677)
	<hr/>
Net cash used in capital and related financing activities	(3,244,779)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(35,791)
Interest received	40,641
	<hr/>
Net cash provided by investing activities	4,850

Net increase in cash and cash equivalents	1,795,703
Cash and cash equivalents (including restricted amounts of \$1,633,735), beginning of year	<hr/> 3,421,443
Cash and cash equivalents (including restricted amounts of \$1,956,907), end of year	<hr/> <u>\$ 5,217,146</u>

RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 2,680,168
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	2,113,345
Changes in assets and liabilities:	
Decrease in accounts receivable	185,811
Decrease in prepaid expenses	33,309
Decrease in inventory	3,314
Increase in accounts payable	107,187
Decrease in accrued payroll and compensated absences	(87,502)
	<hr/>
Net cash provided by operating activities	<u>\$ 5,035,632</u>

See Notes to Financial Statements.

PEACHTREE CITY WATER & SEWERAGE AUTHORITY

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020

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 the City, 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 the 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

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, 2020, 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 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

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 a 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 a 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 non-exchange 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, 2020, 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, 2020, the Authority had the following investments:

<u>Investment Type</u>	<u>Maturities (Days)</u>	<u>Fair Value</u>
Georgia Fund 1	46	\$ 3,723,249
Total Fair Value		<u>\$ 3,723,249</u>

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. The only investments held by the Authority as of September 30, 2020, are maintained in Georgia Fund 1 and are not subject to level disclosure.

The Georgia Fund 1 is an investment pool which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. As a result, the Authority does not disclose its investment in the Georgia Fund 1 within the fair value hierarchy.

NOTE 3. RECEIVABLES

Receivables, including the applicable allowances for uncollectible accounts, consisted of the following at September 30, 2020:

Accounts receivable	\$ 1,670,226
Less allowance for uncollectibles	35,032
Net total receivables	<u>\$ 1,635,194</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

Capital asset activity for the Authority for the year ended September 30, 2020, 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
Assets to be disposed of	500,000	-	-	500,000
Total	<u>2,109,580</u>	<u>-</u>	<u>-</u>	<u>2,109,580</u>
Capital assets, being depreciated:				
Land improvements	18,300	49,186	-	67,486
Buildings	1,924,105	-	-	1,924,105
Vehicles and equipment	4,265,340	115,987	(83,706)	4,297,621
Infrastructure	395,853	-	-	395,853
Sewer plants and pump stations	36,683,361	358,439	-	37,041,800
Pipeline	20,227,421	-	-	20,227,421
Total	<u>63,514,380</u>	<u>523,612</u>	<u>(83,706)</u>	<u>63,954,286</u>
Less accumulated depreciation for:				
Land improvements	18,300	3,785	-	22,085
Buildings	607,522	38,482	-	646,004
Vehicles and equipment	3,830,558	254,351	(83,706)	4,001,203
Infrastructure	65,021	9,683	-	74,704
Sewer plants and pump stations	24,768,998	1,333,510	-	26,102,508
Pipeline	5,245,424	406,867	-	5,652,291
Total	<u>34,535,823</u>	<u>2,046,678</u>	<u>(83,706)</u>	<u>36,498,795</u>
Depreciable property, net	<u>28,978,557</u>	<u>(1,523,066)</u>	<u>-</u>	<u>27,455,491</u>
Total capital assets, net	<u>\$ 31,088,137</u>	<u>\$ (1,523,066)</u>	<u>\$ -</u>	<u>\$ 29,565,071</u>

Depreciation expense for the year ended September 30, 2020, was \$2,046,678.

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, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 15,415,000	\$ -	\$ (2,300,000)	\$ 13,115,000	\$ 2,345,000
Bond premium	616,321	-	(111,896)	504,425	-
Revenue bonds, net	<u>16,031,321</u>	<u>-</u>	<u>(2,411,896)</u>	<u>13,619,425</u>	<u>2,345,000</u>
Compensated absences (in accrued expenses)	<u>166,956</u>	<u>21,399</u>	<u>(96,151)</u>	<u>92,204</u>	<u>92,204</u>
	<u>\$ 16,198,277</u>	<u>\$ 21,399</u>	<u>\$ (2,508,047)</u>	<u>\$ 13,711,629</u>	<u>\$ 2,437,204</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:

<u>Fiscal year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 300,000	\$ 300,000
2022	-	300,000	300,000
2023	1,900,000	268,000	2,168,000
2024	1,385,000	208,300	1,593,300
2025	1,440,000	151,800	1,591,800
2026 – 2027	<u>3,075,000</u>	<u>124,300</u>	<u>3,199,300</u>
	<u>\$ 7,800,000</u>	<u>\$ 1,352,400</u>	<u>\$ 9,152,400</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 is considered defeased and have been removed from the Authority's financial statements. The outstanding principal of the defeased bonds is \$10,880,000 as of September 30, 2020.

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:

<u>Fiscal year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
	\$ 5,315,000	\$ 152,029	\$ 5,467,029

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

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, 2020 was \$158,990. 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

As of September 30, 2020, 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".



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 & 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, 2020, 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 17, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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..

Compliance and Other Matters

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 financial statements. 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 17, 2021

PEACHTREE CITY WATER & SEWERAGE AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weaknesses identified?	____ Yes <u>X</u> No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes <u>X</u> No
Noncompliance material to financial statements noted?	____ Yes <u>X</u> No

Federal Awards

There was not an audit of major federal award programs as of September 30, 2020 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.