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December 1, 2020

Mr. Brendan Thompson, Manager
Rabun County Water & Sewerage Authority
P.O. Box 191
Clayton, Georgia 30525

Enclosed are 11 copies of our audit report for the year ended June 30, 2020. Our offices have also forwarded 1 copy, unless otherwise noted, to each of the addresses below:

1. Georgia Department of Audits and Accounts
Local Government Audit Review Section
270 Washington Street, SW,
Suite 1-156
Atlanta, Georgia 30334-8400

USPS TRACKING #
& CUSTOMER
RECEIPT

9114 9999 4431 4129 4796 83
For Tracking or inquiries go to USPS.com
or call 1-800-222-1811.

2. Georgia Environmental Facilities Authority
233 Peachtree Street NE
Harris Tower, Suite 900
Atlanta, Georgia 30303-1506

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& CUSTOMER
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We appreciate the opportunity to serve you.

Sincerely,

Kristi L. Griffin, CPA

RABUN COUNTY WATER AND SEWER AUTHORITY

CLAYTON, GEORGIA

FINANCIAL STATEMENTS

(WITH INDEPENDENT AUDITOR'S REPORT)

Fiscal Year Ended

June 30, 2020

**RABUN COUNTY WATER AND SEWER AUTHORITY
CLAYTON, GEORGIA
FOR THE FISCAL YEAR ENDED June 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

December 1, 2020

To the Members of the Board
RABUN COUNTY WATER AND SEWER AUTHORITY
Clayton, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of RABUN COUNTY WATER AND SEWER AUTHORITY as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the government'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 opinions 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.

RABUN COUNTY WATER AND SEWER AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2020

		<u>BUSINESS-TYPE ACTIVITIES</u> <u>ENTERPRISE FUND</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$	53,113
Receivables - trade		82,124
Receivables - other governments		96,522
Prepaid expenses		22,993
Restricted:		
Cash restricted - revenue bond		<u>9,908</u>
Total Current Assets		<u>264,660</u>
Noncurrent Assets		
Capital Assets:		
Capital assets, non-depreciable		195,367
Capital assets, depreciable		22,627,355
Less accumulated depreciation		<u>(5,957,771)</u>
Total Capital Assets, net		<u>16,864,951</u>
Total Noncurrent Assets		<u>16,864,951</u>
TOTAL ASSETS	\$	<u>17,129,611</u>

The accompanying notes are an integral part of this statement

RABUN COUNTY WATER AND SEWER AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2020

Operating revenues		
Pledged as security for revenue bonds:		
Charges for water service	\$	1,926,703
Charges for sewer service		176,965
Water tap on fee - cost		5,250
Other		675
Intergovernmental operating revenues		<u>242,982</u>
Total operating revenues		<u><u>2,352,575</u></u>
Operating expenses		
Depreciation		652,257
Engineering		29,383
Insurance		40,650
Other service and charges		171,811
Professional fees		90,625
Purchase of water		87,778
Repairs and maintenance		415,575
Salaries and benefits		858,984
Utilities		<u>358,370</u>
Total operating expenses		<u><u>2,705,433</u></u>
Operating income (loss)		<u><u>(352,858)</u></u>
Non-operating revenues (expenses)		
Interest expense		(98,216)
Gain / (Loss) on disposal of assets		14,655
Other non-operating revenues		<u>3,596</u>
Total non-operating revenues (expenses)		<u><u>(79,965)</u></u>
Income (loss) before contributions		<u><u>(432,823)</u></u>
Contributions		
Donated sewer lines		629,433
Special purpose local option sales taxes transferred from Rabun County		<u>94,518</u>
Total contributions		<u><u>723,951</u></u>
Change in net position		<u><u>291,128</u></u>
Total Net Position, Beginning of Year		<u><u>13,487,650</u></u>
Total Net Position, End of Year	\$	<u><u>13,778,778</u></u>

The accompanying notes are an integral part of this statement

RABUN COUNTY WATER AND SEWER AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2020

...CONTINUED

Cash and cash equivalents shown on Statement of Net Position	
Cash and cash equivalents	\$ 53,113
Cash restricted - revenue bond construction	9,908
	<hr/>
Total cash and cash equivalents	\$ 63,021
	<hr/> <hr/>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ (352,858)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:	
Other non-operating revenues	3,596
Depreciation	652,257
(Increase) decrease in accounts receivable	146,679
(Increase) decrease in due from other governments	(96,522)
(Increase) decrease in prepaid expense	15,098
Increase (decrease) in accounts payable	(156,226)
Increase (decrease) in accrued expenses	3,961
	<hr/>
Total Adjustments	568,843
	<hr/>
Net cash provided by (used in) operating activities	\$ 215,985
	<hr/> <hr/>
Supplemental Information about non-cash activities:	
Capital contributed from County	\$ 629,433
Capital assets acquired through capital leases	\$ 70,000

The accompanying notes are an integral part of this statement

RABUN COUNTY WATER AND SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

The Authority has one fund, which is a proprietary (enterprise) fund.

Proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to the private sector - where the intent of the governing body is that the expenses, including depreciation of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Proprietary funds are accounted for on a flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use the restricted resources first, then unrestricted resources as they are needed.

BUDGETS

The Authority is not legally required to adopt a budget. However, the Authority Board has approved an annual operating budget for planning, control, and evaluation purposes.

CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash includes amounts in demand deposits. Cash equivalents include those investments that have an initial maturity of three months or less.

RABUN COUNTY WATER AND SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, in the proprietary fund of the Authority are recorded at historical cost. The Authority defines capital assets as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of five years. Capital assets donated to these proprietary fund type operations are recorded at their estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Capital assets are depreciated in the proprietary funds of the government using the straight-line method over the following estimated useful lives:

Buildings & Improvements	15-30 Years
Infrastructure	40 Years
Machinery and Equipment	5-15 Years
Vehicles	5 Years

NET INVESTMENT IN CAPITAL ASSETS

The "net investment in capital assets" reported on the statement of net position is calculated as follows:

Net investment in capital assets:	
Cost of capital assets	\$ 22,822,722
Accumulated depreciation	(5,957,771)
Book value	16,864,951
Revenue bonds related to capital assets	(2,736,498)
Notes payable related to capital assets	(424,002)
Net investment in capital assets	\$ 13,704,451

RABUN COUNTY WATER AND SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Depositories may secure deposits of public funds using the dedicated method or the pooled method as described below:

Under the *dedicated method*, a depository shall secure the deposits of each of its public depositors separately. State statutes require collateral pledged in the amount of 110% of deposits.

Under the *pooled method*, a depository shall secure deposits of public bodies which have deposits with it through a pool of collateral established by the depository with a custodian for the benefit of public bodies having deposits with such depository as set forth in code Section 45-8-13.1. State statutes require collateral pledged in the amount of 110% of deposits under the single bank pooled method or at least 100% of amounts greater than 20% of the daily pool balance held by any one covered depository under the multibank pooled method.

The Authority utilized the dedicated method to secure deposits of public funds.

NOTE 3 - CUSTOMER DEPOSITS

Customer deposits are amounts paid by customers to guarantee their payment of water bills.

NOTE 4 - RECEIVABLES

Trade receivables as of year-end are summarized below.

Receivables:	
Accounts	\$ 82,124
Intergovernmental	96,522
Total gross receivables	178,646
Less: allowance for uncollectibles	-
Total net receivables	\$ 178,646

RABUN COUNTY WATER AND SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

REVENUE BONDS FROM DIRECT BORROWINGS

The Authority issues bonds where the Authority pledges income derived from the acquired or constructed assets to pay debt service.

During 2015, the Authority issued \$3,055,000 of Series 2015 revenue bonds to provide funds to refinance three debt issues of the Clayton-Rabun County Water and Sewer Authority. These bonds, which bear interest rates from 2.0% to 4.0%, mature January 1, 2037. The outstanding balance on the 2015 bonds as of June 30, 2020 was \$2,625,000.

The Authority's outstanding notes from direct borrowings related to business-type activities are secured by the Rabun County's full faith and credit and revenue-raising power (including its taxing power).

The scheduled payments of principal and interest for all bonds payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	95,000	93,300	188,300
2022	95,000	91,400	186,400
2023	100,000	89,500	189,500
2024	140,000	87,500	227,500
2025	145,000	83,300	228,300
2026-2030	780,000	342,075	1,122,075
2031-2035	940,000	180,400	1,120,400
2036-2037	330,000	20,000	350,000
	<u>\$ 2,625,000</u>	<u>\$ 987,475</u>	<u>\$ 3,612,475</u>

CAPITAL LEASES

The Authority leases certain equipment under non-cancelable capital leases. The lease relates to equipment for water and sewer usage. This year, \$7,000 was included in depreciation expense. Ownership of the related asset will be transferred to the Authority at the end of the lease terms.

The assets acquired through capital leases are as follows:

	<u>Business-Type</u>
	<u>Activities</u>
Machinery and equipment	\$ 70,000
Less accumulated depreciation	(7,000)
	<u>\$ 63,000</u>

RABUN COUNTY WATER AND SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

PLEDGED REVENUES

Rabun County Water and Sewer Authority has pledged future water and sewer revenues, net of specified operating expenses, to repay an original debt of \$3 million. This debt is payable solely from water and sewer net revenues and is payable through 2037. The total principal and interest remaining to be paid is \$3.6 million. Principal and interest paid for the current year was \$183 thousand which was approximately 47.5% of net revenues. Rabun County provided a subsidy of \$94,518 to assist in making these payments.

NOTE 7 - CONTINGENCIES AND COMMITMENTS

The Authority is occasionally a defendant in various lawsuits. At June 30, 2020, there were no outstanding lawsuits that would have a material adverse effect on the financial condition of the Authority.

NOTE 8 - RISK FINANCING ACTIVITIES

The Authority is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases worker's compensation insurance from a commercial insurance company.

The Authority contracted with Allied World Specialty Insurance Company to purchase combined automobile, crime, liability and property insurance. The deductible is determined by type of claim, however \$2,500 is the maximum deductible for any claim.

The following is a summary of coverage at June 30, 2020:

Umbrella excess liability protection	\$	2,000,000	per occurrence/aggregate
General liability	\$	3,000,000	aggregate
Products and completed work	\$	3,000,000	aggregate
Personal injury	\$	1,000,000	per person
Automobile Liability	\$	1,000,000	per occurrence
Public entity employment liability	\$	1,000,000	per occurrence
Sewer backup and premises damage	\$	1,000,000	per occurrence
Cyber liability	\$	100,000	per occurrence

The Authority has no outstanding claims in excess of coverage for which a liability should be recorded as of June 30, 2020.

Settled claims in the past three years have not exceeded the coverages.



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

December 1, 2020

To the Members of the Board
RABUN COUNTY WATER AND SEWER AUTHORITY
Clayton, 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 business-type activities of RABUN COUNTY WATER AND SEWER AUTHORITY, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the RABUN COUNTY WATER AND SEWER AUTHORITY's basic financial statements, and have issued our report thereon dated December 1, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered RABUN COUNTY WATER AND SEWER 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RABUN COUNTY WATER AND SEWER AUTHORITY's internal control. Accordingly, we do not express an opinion on the effectiveness of the RABUN COUNTY WATER AND SEWER 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.

Recommendation:

We recommend the Authority date all transactions in QuickBooks based on the appropriate accounting period.

Response:

The Authority will be more diligent in dating all transactions in QuickBooks based on the appropriate accounting period.

Rabun County Water and Sewer Authority's Response to Findings:

The RABUN COUNTY WATER AND SEWER AUTHORITY's responses to the findings identified in our audit are described above. The RABUN COUNTY WATER AND SEWER AUTHORITY's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether RABUN COUNTY WATER AND SEWER AUTHORITY's financial statements are free of 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.

Bates, Carter & Co., LLP