

RABUN COUNTY WATER AND SEWER AUTHORITY

CLAYTON, GEORGIA

FINANCIAL STATEMENTS

(WITH INDEPENDENT AUDITOR'S REPORT)

Fiscal Year Ended

June 30, 2021

**RABUN COUNTY WATER AND SEWER AUTHORITY
CLAYTON, GEORGIA
FOR THE FISCAL YEAR ENDED June 30, 2021**

Table of Contents

	Page
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	i - ii
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	1 - 2
Statement of Revenues, Expenses, and Changes in Fund Net Position	3
Statement of Cash Flows	4 - 5
Notes to Financial Statements	6 - 16
<u>COMPLIANCE SECTION</u>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17 - 19

INDEPENDENT AUDITOR'S REPORT

December 22, 2021

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, 2021, 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.

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 respective financial position of the business-type activities of the RABUN COUNTY WATER AND SEWER AUTHORITY, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2021 on our consideration of the RABUN COUNTY WATER AND SEWER 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 RABUN COUNTY WATER AND SEWER AUTHORITY's internal control over financial reporting and compliance.

RABUN COUNTY WATER AND SEWER AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2021

		BUSINESS-TYPE ACTIVITIES
		ENTERPRISE FUND
		<hr/>
ASSETS		
Current Assets		
Cash and cash equivalents	\$	51,783
Receivables - trade		99,101
Receivables - other governments		111,179
Prepaid expenses		25,099
Restricted:		
Cash restricted - revenue bond		<u>7,782</u>
Total Current Assets		<u>294,944</u>
Noncurrent Assets		
Capital Assets:		
Capital assets, non-depreciable		195,367
Capital assets, depreciable		22,678,069
Less accumulated depreciation		<u>(6,569,276)</u>
Total Capital Assets, net		<u>16,304,160</u>
Total Noncurrent Assets		<u>16,304,160</u>
TOTAL ASSETS	\$	<u>16,599,104</u>

The accompanying notes are an integral part of this statement

RABUN COUNTY WATER AND SEWER AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2021

		BUSINESS-TYPE ACTIVITIES
		ENTERPRISE FUND
LIABILITIES		
Current Liabilities		
Accounts payable	\$	181,391
Accrued payroll withholdings		41,975
Customer deposits		9,950
Capital leases payable, current		12,669
Notes from direct borrowings		205,655
Current liabilities payable from restricted assets:		
Revenue bonds from direct borrowings		101,559
Total Current Liabilities		<u>553,199</u>
Long-Term Liabilities		
Capital leases payable		37,227
Notes from direct borrowings		13,498
Revenue bonds from direct borrowings		2,533,381
Total Long-term Liabilities		<u>2,584,106</u>
TOTAL LIABILITIES		<u>3,137,305</u>
NET POSITION		
Net investment in capital assets		13,400,171
Restricted for:		
Debt service		7,782
Unrestricted net position		53,846
TOTAL NET POSITION	\$	<u><u>13,461,799</u></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, 2021

Operating revenues		
Pledged as security for revenue bonds:		
Charges for water service	\$	2,107,857
Charges for sewer service		217,568
Water tap on fee - cost		8,500
Sewer tap on fees - cost		1,739
Other		650
Intergovernmental operating revenues		<u>218,062</u>
Total operating revenues		<u><u>2,554,376</u></u>
Operating expenses		
Depreciation		661,461
Engineering		11,580
Insurance		42,250
Other service and charges		184,388
Professional fees		158,307
Purchase of water		91,969
Repairs and maintenance		524,041
Salaries and benefits		866,399
Utilities		<u>364,552</u>
Total operating expenses		<u><u>2,904,947</u></u>
Operating income (loss)		<u><u>(350,571)</u></u>
Non-operating revenues (expenses)		
Interest expense		(95,785)
Gain / (Loss) on disposal of assets		31,157
Other non-operating revenues		<u>4,870</u>
Total non-operating revenues (expenses)		<u><u>(59,758)</u></u>
Income (loss) before contributions		<u><u>(410,329)</u></u>
Contributions		
Special purpose local option sales taxes transferred from Rabun County		<u>93,350</u>
Total contributions		<u><u>93,350</u></u>
Change in net position		<u><u>(316,979)</u></u>
Total Net Position, Beginning of Year		<u><u>13,778,778</u></u>
Total Net Position, End of Year	\$	<u><u><u>13,461,799</u></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, 2021

Cash flows from operating activities		
Receipts from customers and users	\$	2,527,613
Payments to suppliers		(1,281,660)
Payments to employees		<u>(858,845)</u>
Net cash provided by (used in) operating activities		<u>387,108</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets		(69,510)
Interest paid		(95,785)
Subsidy from Rabun County for payments of capital debt		93,350
Principal payments on long-term debt		<u>(318,619)</u>
Net cash provided by (used in) capital and related financing activities		<u>(390,564)</u>
Net increase (decrease) in cash and cash equivalents		(3,456)
Cash and cash equivalents at beginning of year		<u>63,021</u>
Cash and cash equivalents at end of year	\$	<u><u>59,565</u></u>

CONTINUED...

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, 2021

...CONTINUED

Cash and cash equivalents shown on Statement of Net Position	
Cash and cash equivalents	\$ 51,783
Cash restricted - revenue bond construction	<u>7,782</u>
 Total cash and cash equivalents	 <u><u>\$ 59,565</u></u>
 Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ (350,571)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:	
Other non-operating revenues	4,870
Depreciation	661,461
(Increase) decrease in accounts receivable	79,545
(Increase) decrease in due from other governments	(111,179)
(Increase) decrease in prepaid expense	(2,106)
Increase (decrease) in accounts payable	96,334
Increase (decrease) in accrued expenses	7,554
Increase (decrease) in customer deposits	<u>1,200</u>
Total Adjustments	<u>737,679</u>
 Net cash provided by (used in) operating activities	 <u><u>\$ 387,108</u></u>
 Supplemental Information about non-cash activities:	
Trade in allowance	\$ 32,000
Undepreciated cost of capital assets disposed	\$ (843)

The accompanying notes are an integral part of this statement

RABUN COUNTY WATER AND SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of RABUN COUNTY WATER AND SEWER AUTHORITY have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

REPORTING ENTITY

The RABUN COUNTY WATER AND SEWER AUTHORITY is the basic level of government that has oversight responsibility and control over all activities related to water and sewerage systems in RABUN COUNTY, Georgia. The Authority receives most of its operating revenues from sales of water service and connection fees. Sales of water to the City of Clayton accounts for 56% of total sales in the current year. The Authority receives the rest of the funding from local and state government sources and must comply with the requirements of these funding entities. The Authority is comprised of nine representatives appointed by the governing authorities as follows: two each from Rabun County and the City of Clayton, one each from the Cities of Tiger, Mountain City, Dillard, Tallulah Falls, and Sky Valley.

GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS

Because the Authority is a special-purpose government engaged only in business type activities, it is not required to present a statement of activities to comply with the provisions of GASB Statement 34.

FUND ACCOUNTING

The Authority uses funds 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 or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

RABUN COUNTY WATER AND SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2021

State statutes authorize the government to invest in obligations of the U.S. Treasury and of its agencies and instrumentalities; bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; certificates of deposits of banks insured by FDIC; the State of Georgia Local Government Investment Pool (Georgia Fund 1); repurchase agreements; and bonds, debentures, notes or other evidence of indebtedness of any solvent corporation subject to certain conditions.

Investments are reported at fair value as of the balance sheet date. Increases or decreases in fair value during the year are recognized as part of investment income.

RESTRICTED ASSETS

Certain proceeds of the Authority's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items.

BOND AND LOAN ISSUANCE COSTS, PREMIUMS, AND DISCOUNTS

Premiums and discount are deferred and amortized over the lives of the bonds and loans on a straight-line basis, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Amortization costs for the year 2021 were \$6,559. None of these costs were capitalized in fiscal year 2021.

COMPENSATED ABSENCES

The authority's policy does not allow vested or accumulated annual leave to be paid out at the end of employment. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, "Accounting for Compensated Absences," no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

RABUN COUNTY WATER AND SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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	\$ 22,873,436
Accumulated depreciation	(6,569,276)
Book value	<u>16,304,160</u>
Revenue bonds related to capital assets	(2,634,940)
Notes payable related to capital assets	<u>(219,153)</u>
Net investment in capital assets	<u><u>\$ 13,400,171</u></u>

RABUN COUNTY WATER AND SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority does not have any types of items that qualify for reporting in this category.

In addition to liabilities, the statement of financial 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 and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any types of items that qualify for reporting in this category.

NOTE 2 - DEPOSITS AND INVESTMENTS

The goal of the Authority in investing is to obtain a reasonable return on investments with a minimum exposure to potential loss of capital due to market fluctuations.

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.

CREDIT RISK

The Authority has no investment policy that would further limit its investment choices.

CONCENTRATION OF CREDIT RISK

The Authority places no limit on the amount it may invest in any one issuer.

CUSTODIAL CREDIT RISK - DEPOSITS

In case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. The Authority's policies permit it to exceed the FDIC insured limit in making deposits in commercial banks and savings and loans institutions if the funds are otherwise adequately secured.

As of December 22, 2021, these deposits were fully insured and collateralized.

RABUN COUNTY WATER AND SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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	\$	99,101
Intergovernmental		111,179
Total gross receivables		<u>210,280</u>
Less: allowance for uncollectibles		-
Total net receivables	<u>\$</u>	<u>210,280</u>

RABUN COUNTY WATER AND SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the period ended June 30, 2021 was as follows:

	Beginning Balance	Addition(s)	Retirements	Transfers & Adjustments	Ending Balance
Business-type activities					
Non-depreciable assets:					
Land	\$ 195,367	\$ -	\$ -	\$ -	\$ 195,367
Total non-depreciable capital assets	<u>195,367</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>195,367</u>
Depreciable assets:					
Buildings	3,931,291	36,000	-	-	3,967,291
Infrastructure	18,099,005	-	-	-	18,099,005
Vehicles	184,454	56,164	(50,799)	-	189,822
Machinery and equipment	412,605	9,346	-	-	421,951
Total depreciable capital assets	<u>22,627,355</u>	<u>101,510</u>	<u>(50,799)</u>	<u>-</u>	<u>22,678,069</u>
Less accumulated depreciation for:					
Buildings	(1,022,373)	(135,689)	-	-	(1,158,062)
Infrastructure	(4,580,493)	(452,475)	-	-	(5,032,968)
Vehicles	(127,141)	(43,625)	49,956	-	(120,810)
Machinery and equipment	(227,764)	(29,672)	-	-	(257,436)
Total accumulated depreciation	<u>(5,957,771)</u>	<u>(661,461)</u>	<u>49,956</u>	<u>-</u>	<u>(6,569,276)</u>
Total depreciable capital assets, net	<u>16,669,584</u>	<u>(559,951)</u>	<u>(843)</u>	<u>-</u>	<u>16,108,793</u>
Business-type capital assets, net	<u>\$ 16,864,951</u>	<u>\$ (559,951)</u>	<u>\$ (843)</u>	<u>\$ -</u>	<u>\$ 16,304,160</u>

NOTE 6 - NOTES FROM DIRECT BORROWINGS/LONG-TERM DEBT

Long-term liability activity for the period ended June 30, 2021, was as follows:

	Balance June 30, 2020	Increase	Decrease	Balance June 30, 2021	Due within one year	Due in more than one year
Revenue bonds from direct borrowings:						
Revenue Bonds	\$ 2,631,559	\$ -	\$ (95,000)	\$ 2,530,000	\$ 95,000	\$ 2,435,000
For issuance premiums and discounts	111,498	-	(6,560)	104,939	6,559	98,380
Total revenue bonds from direct borrowings	<u>2,743,057</u>	<u>-</u>	<u>(101,560)</u>	<u>2,634,939</u>	<u>101,559</u>	<u>2,533,380</u>
Notes from direct borrowings:						
GEFA Notes	424,003	-	(204,850)	219,153	205,655	13,498
Total notes from direct borrowings	<u>424,003</u>	<u>-</u>	<u>(204,850)</u>	<u>219,153</u>	<u>205,655</u>	<u>13,498</u>
Capital leases payable	62,106	-	(12,211)	49,895	12,669	37,227
Total long-term liabilities	<u>\$ 3,229,166</u>	<u>\$ -</u>	<u>\$ (318,621)</u>	<u>\$ 2,903,987</u>	<u>\$ 332,552</u>	<u>\$ 2,571,436</u>

RABUN COUNTY WATER AND SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2021 was \$2,530,000.

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:

For year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	145,000	78,950	223,950
2027-2031	815,000	313,925	1,128,925
2032-2036	920,000	142,800	1,062,800
2037	170,000	6,800	176,800
Total	<u>\$ 2,530,000</u>	<u>\$ 894,175</u>	<u>\$ 3,424,175</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:

Machinery and equipment	\$ 70,000
Less accumulated depreciation	(14,000)
	<u>\$ 56,000</u>

RABUN COUNTY WATER AND SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimal lease payments as of the inception date. Minimum future lease obligations for these leases, as of June 30, 2021, are as follows:

<u>Year Ending June 30,</u>	<u>Business Type Activities</u>
2022	\$ 14,297
2023	<u>37,766</u>
Total minimum lease payments	52,063
Less: amount representing interest (0.00% - 2.95%)	<u>(2,167)</u>
Present value of minimum lease payments	<u><u>\$ 49,895</u></u>

NOTES FROM DIRECT BORROWINGS

GEFA Loans

The Authority entered into a loan with the Georgia Environmental Facilities Authority (GEFA) during fiscal year 2003 to provide water service to the North Loop Extension. The loan had a draw capacity of \$529,428 and bears no interest. The loan is payable quarterly beginning March 1, 2003 and matures July 1, 2022. The outstanding balance as of June 30, 2021 was \$44,118.

During 2017, the Authority obtained an additional loan from GEFA for \$800,000 and bears 0.50% interest. This loan was used to pay for a portion of the Little Tennessee Water Treatment Plan. The loan is payable monthly and matures July 1, 2022. The outstanding balance as of June 30, 2021 was \$175,034. The total outstanding balance of both notes as of June 30, 2021 was \$219,153.

The scheduled payments of principal are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 205,655	\$ 505	\$ 206,160
2022	13,498	6	13,504
Total	<u><u>\$ 219,153</u></u>	<u><u>\$ 511</u></u>	<u><u>\$ 219,664</u></u>

RABUN COUNTY WATER AND SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 \$3.4 million. Principal and interest paid for the current year was \$183 thousand which was approximately 45.5% of net revenues. Rabun County provided a subsidy of \$93,350 to assist in making these payments.

NOTE 7 - CONTINGENCIES AND COMMITMENTS

The Authority is occasionally a defendant in various lawsuits. At June 30, 2021, 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, 2021:

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, 2021.

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

RABUN COUNTY WATER AND SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 9 - RETIREMENT PLANS

DEFINED CONTRIBUTION PENSION PLAN

Effective November 21, 2014, the Authority, by resolution, adopted the AXA Equitable Retirement Gateway 401A, which operates in conjunction with the Deferred Compensation Plan discussed in NOTE 10. The Authority has the ability to amend the adoption agreement to change the contribution requirements and other matters related to the plan. The plan issues a stand alone report; it may be obtained from: AXA Equitable Life Insurance Company, 1290 Avenue of the Americas, New York, New York 10104.

Any employee can participate. Employees may contribute to the plan and the Authority matches up to 3% of the employee's salary. The Authority's match vests at the rate of 20% per year and are fully vested in 5 years.

The employee contribution for fiscal year 2021 was \$37,323 and the Authority matching contribution was \$18,067.

NOTE 10 - DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Because the assets are held in trust for the employees, they are not assets of the Authority and are not reported in these financial statements.

NOTE 11 - COVID-19

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacted many industries. The outbreak could have a continues material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any predication as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Authority, its performance, and its financial results.

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 22, 2021

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, 2021, 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 22, 2021.

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.

Our consideration of internal control over financial reporting 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. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies.

Statement of Condition 2021-001 (Re-issued):

During fieldwork, we noted that inventory tracking had not been implemented and the client was unable to provide an accurate listing and count of inventory of water meters and related supplies on hand at June 30, 2021.

Criteria:

To ensure accurate inventory counts, inventory should be tracked and kept up with on a regular basis by the Authority.

Effect of Condition:

The risk of misappropriation of assets on hand.

Cause of Condition:

The Authority expenses all material purchases and an inventory listing of purchases on-hand, including location, is not maintained.

Recommendation:

We recommend the Authority implement regular inventory counts and tracking of inventory internally.

Response:

As we have recently moved into our new shop, we are still building and creating inventory storage areas. We expect to implement an inventory tracking practice in the near future.

Statement of Condition 2021-002 (Re-issued):

During fieldwork, we noted that transactions in QuickBooks were dated incorrectly for accounting purposes during the fiscal year June 30, 2021.

Criteria:

To ensure accurate accounting records, transactions need to be recorded in the correct period by the Authority.

Effect of Condition:

The risk of misappropriation of assets on hand.

Cause of Condition:

The Authority is dating transactions based on their budget requirements and not based on the appropriate accounting period.

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.