

# **DOUGLASVILLE-DOUGLAS COUNTY WATER AND SEWER AUTHORITY**

**DOUGLAS COUNTY, GEORGIA**



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR FISCAL YEARS ENDED JUNE 30, 2018 and 2017**



**DOUGLASVILLE-DOUGLAS COUNTY  
WATER AND SEWER AUTHORITY**

**DOUGLAS COUNTY, GEORGIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR FISCAL YEARS ENDED JUNE 30, 2018 and 2017**

Prepared by  
Department of Finance  
Thomas W. Alger, Chief Financial Officer

**Douglasville-Douglas County Water and Sewer Authority**  
**Comprehensive Annual Financial Report**  
**Fiscal Years Ended June 30, 2018 and 2017**  
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# **Douglasville-Douglas County Water and Sewer Authority**

## **Listing of Principal Officials and Consultants**

### **BOARD OF DIRECTORS**

Kerry S. Rigdon	Chairman
E. John Citizen	Vice Chairman
Peggy Baugh	Member
Romona Jackson Jones, Chair Douglas County Board of Commissioners	Member
Jeffery W. Noles	Member
Rochelle Robinson, Mayor, City of Douglasville	Member
William Willis Jr.	Member
Helen McCoy	Secretary - Treasurer

### **MANAGEMENT**

Gilbert B. Shearouse	Executive Director
Keith Higgs	Deputy Director & Wastewater Operations Manager
Brian Keel	Deputy Director & Engineering Manager
Thomas W. Alger	Chief Financial Officer
Charles Butts	Systems Maintenance Manager
Karen Cobb	Billing/Customer Service Manager
Aaron Gardenhire	Management Information Services (MIS) Manager
Steve Green	Water Operations Manager
Sidney Miller	Human Resources/General Services Manager

### **LEGAL COUNSEL**

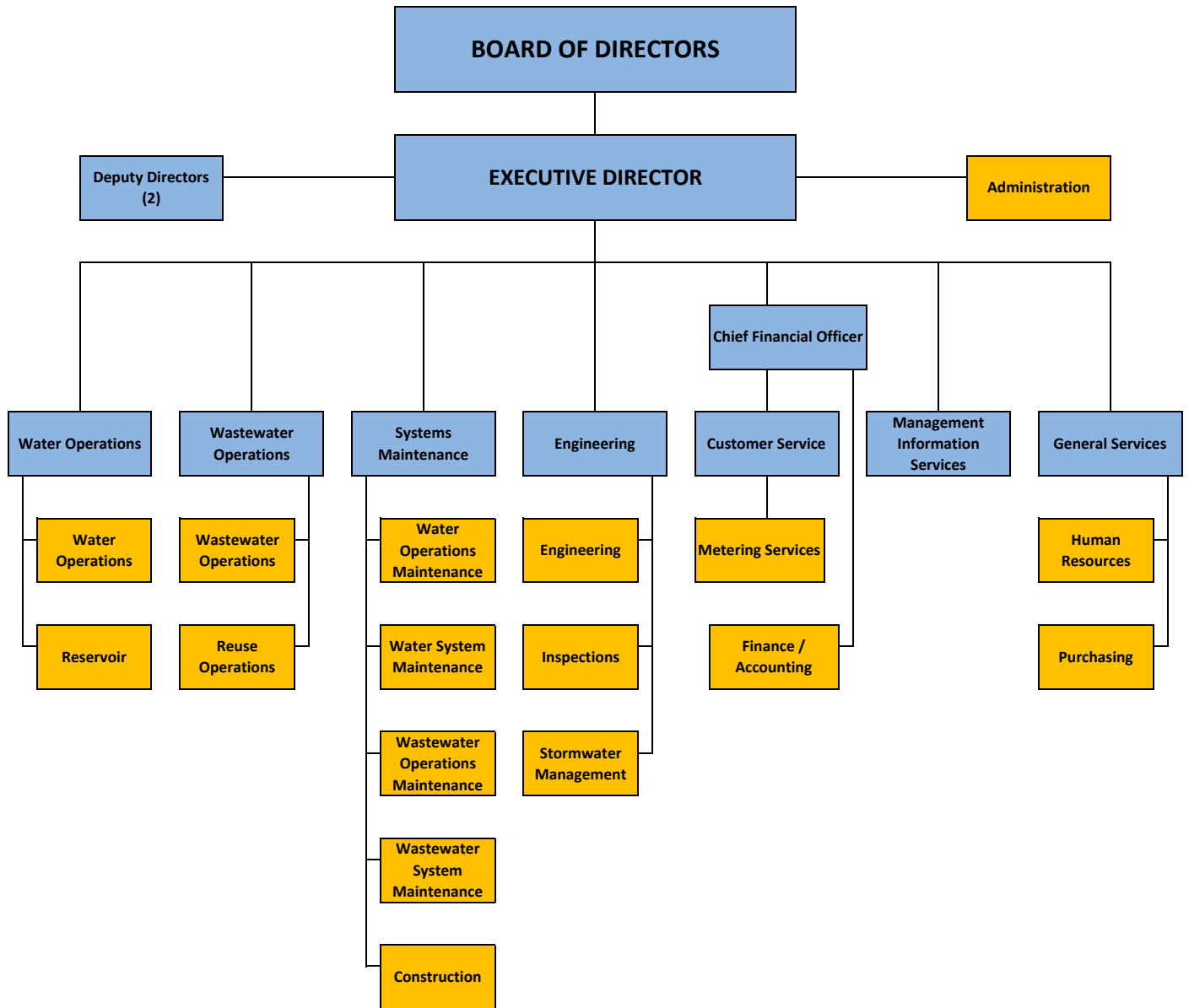
Hartley, Rowe & Fowler	Corporate Counsel
Ford & Harrison	Personnel Counsel
Milbree Lankford	General Counsel
Murray Barnes Finister LLP	Bond Counsel

### **CONSULTANTS**

R. J. Wood and Company	Water Consulting Engineer
Hazen and Sawyer, P.C.	Wastewater Consulting Engineer
Rind-McDuff Associates, Inc.	Stormwater Consulting Engineer
Nichols, Cauley & Associates, LLC	Independent Auditors
Davenport & Company	Financial Advisors

*Additional System Information may be found at*  
[www.ddcwsa.com](http://www.ddcwsa.com)

# Douglasville-Douglas County Water and Sewer Authority Organizational Chart





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Douglasville-Douglas County  
Water and Sewer Authority  
Georgia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morrill*

Executive Director/CEO





## DOUGLASVILLE-DOUGLAS COUNTY WATER AND SEWER AUTHORITY

Post Office Box 1157  
Douglasville, Georgia 30133  
(770) 949-7617  
www.ddcwsa.com

**Kerry Rigdon**  
Chairman

**Gilbert B. Shearouse**  
Executive Director

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October 29, 2018

Board of Directors of the  
Douglasville-Douglas County Water and Sewer Authority  
Customers and Citizens of  
Douglas County, Georgia

We are pleased to submit the Comprehensive Annual Financial Report of the Douglasville – Douglas County Water and Sewer Authority (“Authority”) for the fiscal years ended June 30, 2018 and 2017. This submission is in compliance with the Act that created the Authority. The basic financial statements for the fiscal years ended June 30, 2018 and 2017 have been audited by our independent auditors, Nichols, Cauley & Associates, LLC. The annual audit is planned and performed to obtain reasonable assurances that the basic financial statements of the Authority are free of any material misstatements and are prepared in accordance with generally accepted standards within the United States. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority’s management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority’s financial activities have been included. For further understanding, readers should refer to the Management’s Discussion and Analysis.

### **PROFILE OF THE AUTHORITY**

The Douglasville-Douglas County Water and Sewer Authority was created under an Act of the Georgia General Assembly (Georgia Laws 1985, Act No. 40), and commenced operations on December 27, 1985 by the transfer of the City of Douglasville’s water and sanitary sewer system and the County’s water and sanitary sewer system. The Authority has the power to construct, erect, acquire, own, repair, remodel, maintain, add to, extend, improve, equip, operate and manage a water and sanitary sewer system and to issue revenue bonds, payable from a pledge of the revenues derived from the water and sanitary sewer system for certain purposes.

The Authority is an independent public body corporation with seven board members in the governing body. Five of the board members are appointed alternately by the City of Douglasville Council, and the County Board of Commissioners. The Mayor of the City of Douglasville and Chairman of the Board of Commissioners of the County serve as ex-officio voting members of the Authority. Appointed members serve for five-year staggered terms.

The Authority’s Board appoints an Executive Director who is responsible for the daily management of the Authority. The Board adopts a balanced budget annually and establishes billing rates for the operations of the Authority. The Executive Director has the responsibility of administering operations in accordance with the Authority Bylaws and directives of the Authority Board of Directors.

The Authority exclusively provides water, sanitary sewer, and stormwater services to Douglas County, with the exception of the cities of Villa Rica and Austell, Georgia. The Authority supports various types of customers, including residential, commercial, industrial, multi-family, mobile home parks and governmental accounts.

The Authority operates and maintains water, sanitary sewer, and stormwater systems consisting of water reservoirs, water and wastewater treatment plants, water distribution and sewage collection lines, stormwater retention ponds, conveyance pipes and culvert systems, and the use of meters to bill consumption. As of June 30, 2018, the net property, plant and equipment value of the combined system was over \$368 million.

The water system’s raw water, primarily from the Dog River Reservoir (256-acres) and Bear Creek Reservoir, is pumped to the Authority’s Bear Creek Water Treatment Plant and distributed throughout the County. The system is served by 939 miles of

***“Award Winning Service For Our Local Community”***

distribution lines in various diameter sizes throughout the County. The last plant expansion of the water treatment plant brought capacity to 23.9 million gallons per day (MGD).

The sanitary sewer facilities collect sewage through 470 miles of sanitary sewer collection lines and force mains which lead to two major wastewater treatment plants and two smaller plants. Treated effluent from one of the two large facilities, the Sweetwater Creek Waste Water Treatment Plant (WWTP), receives additional treatment at a 3.0 MGD side-stream facility before being provided as cooling tower make-up water for a large data processing center located in the County.

Stormwater services started in January 2003 when the Authority acquired the City of Douglasville's stormwater system. In December 2003, the Authority entered into a 30-year Intergovernmental Agreement with Douglas County whereby the Authority acquired the County stormwater system and the County agreed to transfer the assets to the Authority on July 1, 2004. As of June 30, 2018, the combined Authority stormwater system consisted of 121 miles of conveyance pipe and culvert systems, and over 11,000 catch basins and junction boxes and other appurtenances.

## **ECONOMIC FACTORS AND OUTLOOK**

Douglas County is part of the Atlanta metropolitan area and is located west of the Fulton County line, less than 25 miles west of downtown Atlanta. The population of Douglas County as of the U.S. 2010 Census was 132,624 and now is estimated to be 143,882.

Interstate Highway I-20, U.S. Highway 78, U.S. Highway 278, and four state routes serve the County at the present time. There are approximately 1,012 miles of roads, with all but approximately 60 miles of those paved in the County. Atlanta's perimeter highway (Interstate 285) provides easy access to all areas of Atlanta, including I-75 and I-85. Douglas County is served by 51 interstate/intrastate trucking carriers, and by 11 carriers that are intrastate only. A major east-west bound railroad line for Norfolk Southern Railways crosses through the County with trains bringing finished goods and raw materials in and out of the County.

The Authority's water and sanitary sewer systems serve approximately 95% of the residential population of the County. The system serves schools, day-care facilities, one hospital, churches, and state and local governmental units. Several suburban shopping centers, including a 1.4 million square-foot regional mall, numerous motels, restaurants and apartment complexes are also served by the system. The 10 largest customers for the 12 months ending June 30, 2018 are listed in Table 15 of the statistical section of this report, along with other pertinent statistical information.

During this past fiscal year, Douglas County and the Atlanta metropolitan area experienced some new construction and a steady low unemployment rate. The Authority expects gradual improvements in both construction and population over the next five years. Current projected operating revenues should be sufficient to cover operational costs, debt service and capital needs. The Authority maintains a reserve fund for emergency use in case of disasters or shortfalls in funding operations, debt service or capital projects.

The Authority experienced a decline in water consumption after 2007 of approximately 18% due to a decrease in wholesale water sales and conservation measures practiced after the drought. However, just as the Authority has seen the during the last ten years, the past year experienced a slight increase in consumption.

## **MAJOR INITIATIVES AND OTHER EVENTS**

A meter replacement project, started in 2011, to replace all residential meters and convert our system to a fixed base radio read system continues with 34,350 installations at June 30, 2018. The project will take approximately eight years to complete at an estimated cost of \$3,000,000 a year.

A \$1.1 million project to rehabilitate a large potable water storage tank was completed in May 2016.

Stormwater Improvement Projects of \$1.3 million were completed in 2017 on Beaver Drive, Camel Drive, and Prestley Mill Road. Stormwater projects totaling \$1.4 million were completed in 2018.

A \$4.2 million multi-year project was started in 2018 to transfer sewer flows from the east side of Douglas County under an agreement with Cobb County. This is in addition to the capacity charges to Cobb County.

The Authority is underway with planning and engineering in 2018 for a possible expansion of the Dog River Reservoir in future years.

## **LONG-TERM FINANCIAL PLANNING**

In order to facilitate long-term planning, the Authority maintains a five-year cash flow model of its finances that includes projections of water and sewer capacity utilization, system growth and related availability of operating revenue, anticipated operating expenses, capital expenses, debt service requirements and cash flows. A Capital Improvements Program is included as part of this planning document which is reviewed and updated annually, detailing the capital projects necessary to meet the needs of the system's expansion and rehabilitation. The Authority uses this data to facilitate projections of necessary rate increases, additional capacity requirements, debt needs and proper debt service coverage.

## **INTERNAL CONTROL AND BUDGET POLICIES**

The Authority's management is responsible for establishing and maintaining a system of internal accounting controls. The objectives of internal controls are to provide management with reasonable, but not absolute, assurances that the assets of the Authority are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States. The concept of reasonable assurance recognizes that the cost of the control should not exceed the benefit likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. Management reviews internal controls on a continuing basis.

The Authority operates under the auspices of a Board-approved annual budget. The budget is prepared on a zero-base concept which sets out allocations of anticipated operating revenues and requires justification of all expenses. Since the Authority has no taxing power and operates solely on its own revenues, there are no appropriations. Operational and maintenance costs are funded from customer fees and charges. The Authority plans, budgets, and manages to assure that current costs are funded through current revenues. The Bylaws of the Authority require an adoption of the Operating and Capital Budgets no later than 15 days prior to the start of its Fiscal Year. The budget remains in effect the entire year and is not revised, as is the case in many governmental entities.

The Authority uses a one-year operating budget process with an additional five-year cash projection included to address a longer-term planning and management perspective. An analysis is presented with the budget and rate recommendation to ensure that utility revenues are sufficient to recover total cash needs for a five-year projection period. Total cash needs include annual expenditures to operate the system, capital-related costs of principal and interest payments on debt, contributions to specific reserves, and capital replacements and improvements that are not debt-financed. Services are provided to customers under a rate structure designed to produce revenue sufficient for operating and maintenance costs, capital outlay, debt service, reserves and debt service coverage. While the Authority prepares long-range rate projections, these projections are reviewed annually through the budgetary and rate-making process of the Authority. Rates are generally changed in December after reviewing previous year's actual figures and estimating any changes that may have occurred since the adoption of the budget. The Director has the authority to increase rates at any time up to an annual increase of 5% plus the cost of living, without further Board of Directors action.

## **DEBT MANAGEMENT POLICY**

The Authority manages debt in accordance with all applicable law, bond resolutions and adopted debt management policies. 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 (or one hundred twenty percent should the Authority issue any new debt) of the sum of the annual debt service payments for all bonds outstanding. "Net earnings" is defined by the bond resolution to mean the net operating income of the system, adding back depreciation, and including interest income, tap fees, development fees and other non-operating revenue. The bond resolutions obligate the Authority to review rates and to revise such rates and charges as necessary to meet the coverage test. The Authority further covenants in the bond resolutions to maintain rates and charges that are at all times sufficient to provide for the payment of the bonds; to maintain the debt service funds and any other related funding instruments related to the debt of the system; and to provide for the payment of administrative and operational expenses of the system preserving the system in good repair and working order.

## **AWARDS AND ACKNOWLEDGEMENTS**

The Douglasville-Douglas County Water and Sewer Authority is held to the highest standards by our community and has been successful in gaining recognition from industry peers, by the numerous awards received in the past. Awards received during the past two calendar years included:

### **Calendar Year 2017**

- South Central Wastewater Treatment Plant Laboratory Best in State in its size category
- Bear Creek Water Treatment Plant Local Government Risk Management Services (L.G.R.M.S) Risk Management and Safety Leadership Award
- Government Finance Officers Association Award for Excellence in Financial Reporting

### **Calendar Year 2016**

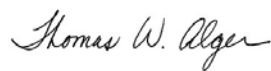
- Douglas County Chamber of Commerce Large Business of the Year
- Georgia Association of Water Professionals (GAWP) Bronze Award for WSA's Volunteer Service to GAWP
- Government Finance Officers Association Award for Excellence in Financial Reporting
- Georgia Association of Water Professionals (GAWP) Gold Award for Excellence in Water Distribution System
- Georgia Association of Water Professionals (GAWP) Gold Award for Excellence in Wastewater Collections System
- Georgia Association of Water Professionals (GAWP) Plant of the Year in its size category awarded to the Bear Creek Water Treatment Plant.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Douglasville-Douglas County Water and Sewer Authority for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. This is the fourteenth year the Authority has received this prestigious award. In order to be awarded a Certificate of Achievement, the Authority must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the CAFR was made possible by the dedicated services of the entire staff of the Finance and Administration Departments. Each member of these departments has my sincere appreciation for the contributions made in the preparation of this report. In closing, the staff would also like to express gratitude for the Chairman and the entire Board of Directors, as well as the Executive Director for their interest and support in planning and conducting the financial operation of the Authority in such a responsible and progressive manner.

Respectfully submitted,



Thomas W. Alger, CPA, CGMA  
Chief Financial Officer

# **FINANCIAL SECTION**

**REPORT OF  
INDEPENDENT AUDITOR**



## NICHOLS, CAULEY & ASSOCIATES, LLC

1825 Barrett Lakes Blvd, Suite 200  
Kennesaw, Georgia 30144  
770-422-0598 FAX 678-214-2355  
kennesaw@nicholscauley.com

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Douglasville-Douglas County Water and Sewer Authority  
Douglasville, Georgia

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Douglasville-Douglas County Water and Sewer Authority (the "Authority"), as of and for the years ended June 30, 2018 and 2017, 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 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.

Atlanta | Calhoun | Canton | Dalton | Dublin  
Kennesaw | Rome | Warner Robins

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Douglasville-Douglas County Water and Sewer Authority, as of June 30, 2018 and 2017, and the changes in financial position and the cash flows for the years then ended in conformity 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, the Schedule of Changes in Net Pension Liability and Related Ratios – ERP Plan, Schedule of Pension Contributions – ERP Plan, Schedule of Changes in the Total Pension Liability and Related Ratios – Plan II, Schedule of Pension Contributions – Plan II, Schedule of Changes in the Total OPEB Liability and Related Ratios, and Schedule of OPEB Contributions – Plan II on pages 15 through 21 and 48 through 53, respectively, 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 Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, additional schedules of individual accounts, and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional schedules of individual accounts are the responsibility of management and are derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional schedules of individual accounts are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2018, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Richels, Cauley + Associates, LLC*

Kennesaw, Georgia  
October 25, 2018

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**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

# Douglasville-Douglas County Water and Sewer Authority

## Management's Discussion and Analysis

This section presents management's analysis and overview of Douglasville-Douglas County Water and Sewer Authority's financial performance during the fiscal years that ended on June 30, 2018 and 2017. Please read it in conjunction with the financial statements which follow this section.

### FINANCIAL HIGHLIGHTS

- The overall financial condition of the Authority remained strong during the fiscal year ended June 30, 2018. Total assets and deferred outflows at June 30, 2018 were \$431.0 million and exceeded liabilities and deferred inflows in the amount of \$284.3 million (net position). Total net position increased by \$6.5 million in fiscal year 2018. Total net position increased by \$6.5 million in 2017.
- During the fiscal year 2018, the Authority's operating revenues increased to \$46.9 million up from \$46.6 million in 2017 or .6%, while operating expenses were increased to \$39.2 million up from \$38.3 million in 2017 with 2.3% change. The increase in revenue is noted below. Increases in operating expenses occurred in employment cost (\$0.3 million), repairs & maintenance (\$0.2 million) supplies & materials (\$0.2 million), and water and purchased services (\$0.4 million). Decrease in expenses occurred in utilities (\$0.1 million), with decreases primarily in electricity during a year with lowered energy costs worldwide. There was essentially no change in depreciation and administration expenses.
- Water revenue increased \$0.7 million and sewer revenue increased \$0.2 million in the fiscal year ended June 30, 2018 over that of the previous year. Water rates increased 2% and sewer rates increased 3% in December 2017. Water demand was strong in fiscal 2018, particularly early in the fiscal year, as natural rains continued behind normal seasonal volume (as seen towards the end of fiscal year 2017) and demand for water from the Authority increased. A more normal rainfall and water demand pattern returned by the end of fiscal 2018. In fiscal year ended June 30, 2017, water and sewer rates also increased 3% in December 2016. Water demand was strong in fiscal 2017, particularly later in the year, as natural rains fell behind normal seasonal volume and demand for water from the Authority increased. The Authority increases rates to keep pace with inflation, ensure recovery of all its operating costs, to cover annual debt service payments, and to finance capital investment in facilities.
- The Authority's capital assets increased \$10.9 million and \$6.5 million in fiscal years 2018 and 2017 of which \$0.8 million and \$0.6 million were non-cash contribution developer infrastructure improvements.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report is presented in three sections; Introductory, Financial, and Statistical. The Management's Discussion and Analysis (MD&A) serves as an introduction to the financial section. The financial section consists of the Independent Auditors' Report, Management's Discussion and Analysis, and the Authority's basic financial statements, which are presented comparatively for the fiscal years ending June 30, 2018 and 2017. The basic financial statements consist of the following:

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows
- Notes to Financial Statements
- Required Supplementary Information

The Statements of Net Position include all of the Authority's assets, deferred outflows, liabilities, and deferred inflows, and provides information about the nature and amounts of investments in resources (assets), and the obligations to Authority creditors (liabilities). They also provide the basis for evaluating the capital structure, liquidity and financial flexibility of the Authority. All of the current year revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. These statements measure the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness.

The final required financial statement is the Statements of Cash Flows. The primary purpose of these statements is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statements report cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

The Financial Statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. The Notes to Financial Statements provide necessary disclosures that are essential to a full understanding of the data in the aforementioned financial statements.

## FINANCIAL ANALYSIS OF THE AUTHORITY

In fiscal year 2018, the Authority maintained its sound financial condition, even with slow regional economic growth within the service area. This was demonstrated by the Authority's continued strong cash and investment portfolio as outlined in the financial statements and schedules in this report. While exercising prudent fiscal discipline, the Authority continues to ensure it is able to provide safe water to customers as well as be fiscally and environmentally responsible.

## STATEMENTS OF NET POSITION

A summary of the Authority's Statements of Net Position (Balance Sheets) is presented in Table A-1.

**TABLE A-1**  
**Condensed Statements of Net Position**  
**(In millions of dollars)**

	Fiscal Year 2018 to 2017 Comparison				Fiscal Year 2017 to 2016 Comparison			
	FY 2018	FY 2017	Dollar Change	% Change	FY 2017	FY 2016	Dollar Change	% Change
<b>Assets &amp; Deferred Outflows:</b>								
Current and Other Assets	\$ 54.4	\$ 46.4	\$8.0	17.2%	\$ 46.4	\$ 35.8	\$10.6	29.6%
Capital Assets	368.8	375.6	(6.8)	-1.8%	375.6	386.6	(11.0)	-2.8%
Total Assets	423.2	422.0	1.2	0.3%	422.0	422.4	(0.4)	-0.1%
Deferred Outflows	7.8	7.6	0.2	2.6%	7.6	9.1	(1.5)	-16.5%
<b>Total Assets &amp; Deferred Outflows</b>	<b>431.0</b>	<b>429.6</b>	<b>1.4</b>	<b>0.3%</b>	<b>429.6</b>	<b>431.5</b>	<b>(1.9)</b>	<b>-0.4%</b>
<b>Liabilities:</b>								
Long-Term Debt Outstanding	125.4	132.5	(7.1)	-5.4%	132.5	139.3	(6.8)	-4.9%
Other Liabilities	19.0	19.1	(0.1)	-0.5%	19.1	20.4	(1.3)	-6.4%
Total Liabilities	144.4	151.6	(7.2)	-4.7%	151.6	159.7	(8.1)	-5.1%
Deferred Inflows	2.3	0.2	2.1	1050.0%	0.2	0.5	(0.3)	-60.0%
<b>Total Liabilities &amp; Deferred Inflows</b>	<b>146.7</b>	<b>151.8</b>	<b>(5.1)</b>	<b>-3.4%</b>	<b>151.8</b>	<b>160.2</b>	<b>(8.4)</b>	<b>-5.2%</b>
<b>Net Position:</b>								
Investment in Capital Assets	241.7	242.1	(0.4)	-0.2%	242.1	247.0	(4.9)	-2.0%
Restricted	5.2	21.6	(16.4)	-75.9%	21.6	12.1	9.5	78.5%
Unrestricted	37.4	14.1	23.3	165.2%	14.1	12.2	1.9	15.6%
<b>TOTAL NET POSITION</b>	<b>\$ 284.3</b>	<b>\$ 277.8</b>	<b>\$ 6.5</b>	<b>2.3%</b>	<b>\$ 277.8</b>	<b>\$ 271.3</b>	<b>\$ 6.5</b>	<b>2.4%</b>

### Comparison 2018-2017

Net position at June 30, 2018 was \$284.3 million, an increase of \$6.5 million. The increase was due to a combination of a water and sewer rate increase, strong demand for water in an area facing drought recovery conditions, and the Authority's efforts at controlling costs while still providing safe and efficient services. Current and other assets increased \$8 million, of which \$6.2 million was in cash & investments, \$0.5 million was in accounts receivables, and other minor fluctuations on these lines netting to a decrease of \$0.1 million. Capital assets decreased \$6.8 million due to depreciation expense exceeding new assets acquired during the year. Deferred outflows increased \$0.2 million due to accounting for pensions causing changes of \$0.6 million in deferred outflows, and a change of \$0.4 million in bond defeasance costs through amortization. Long-term debt decreased \$7.1 million reflecting payments of principal. Other liabilities decreased \$0.1 million due to an decrease in current bond obligations (\$0.02 million), a increase in accounts payable (\$0.3 million), a decrease in pension and OPEB liabilities changes in estimates as well as ERP Pension Plan performance (\$2.0 million), and an increase in customer deposits (\$0.3 million). Net position for investment in capital assets decreased \$0.4 million as a result of a net decrease in capital assets, debt reduction of \$6.9 million, and changes in related deferred outflows. Net position - unrestricted (available for day-to-day operations) increased \$23.3 million as a result of the change in net position investments in capital assets and net position - restricted, as well as financial operations and activities for the year.

## Comparison 2017-2016

Net position at June 30, 2017 was \$277.8 million, an increase of \$6.5 million. The increase was due to a combination of a water and sewer rate increase, strong demand for water in an area facing drought conditions, and the Authority's efforts at controlling costs while still providing safe and efficient services. Current and other assets increased \$10.6 million, of which \$10.6 million was in cash & investments, \$0.2 million was in accounts receivables, and other minor fluctuations on these lines netting to a decrease of \$0.2 million. Capital assets decreased \$11.0 million due to depreciation expense exceeding new assets acquired during the year. Deferred outflows decreased \$1.5 million due to accounting for pensions causing changes of \$0.8 million in deferred outflows, and a change of \$0.7 million in bond defeasance costs through amortization. Long-term debt decreased \$6.8 million reflecting payments of principal. Other liabilities decreased \$1.3 million due to an increase in current bond obligations (\$0.2 million), a decrease in accounts payable (\$0.2 million), a decrease in pension and OPEB liabilities through implementation of GASBS 73 and 75 as well as ERP Pension Plan performance (\$1.2 million), and an increase in customer deposits (\$0.3 million). Net position for investment in capital assets decreased \$4.9 million as a result of a net decrease in capital assets of \$11.0 million, debt reduction of \$6.0 million, and changes in related deferred outflows. Net position - unrestricted (available for day-to-day operations) increased \$1.9 million as a result of the change in net position investments in capital assets and net position - restricted, as well as financial operations and activities for the year.

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

**TABLE A-2**  
**Condensed Statements of Revenues,**  
**Expenses and Changes in Net Position**  
(In millions of dollars)

	Fiscal Year 2018 to 2017 Comparison				Fiscal Year 2017 to 2016 Comparison			
	FY 2018	FY 2017	Dollar Change	% Change	FY 2017	FY 2016	Dollar Change	% Change
<b>REVENUES</b>								
Operating Revenue:								
Charges for services	\$ 45.6	\$ 45.5	\$ 0.1	0.2%	\$ 45.5	\$ 42.7	\$ 2.8	6.6%
Penalties	1.3	1.1	0.2	18.2%	1.1	1.1	-	0.0%
Total Operating Revenues	46.9	46.6	0.3	0.6%	46.6	43.8	2.8	6.4%
Interest income	0.3	0.3	-	0.0%	0.3	0.2	0.1	50.0%
Total Revenues	47.2	46.9	0.3	0.6%	46.9	44.0	2.9	6.6%
<b>EXPENSES</b>								
Operating Expenses:								
Total Operating Expenses	39.2	38.3	0.9	2.3%	38.3	38.3	(0.0)	0.0%
Non-Operating Income (Expense)								
Interest and fiscal charges	(4.9)	(5.2)	0.3	-5.8%	(5.2)	(6.1)	0.9	-14.8%
Gain(loss)-disposal of cap. assets	0.1	0.1	-	0.0%	0.1	-	0.1	100.0%
Other income(expense)	0.1	(0.1)	0.2	200.0%	(0.1)	-	(0.1)	100.0%
Total Non-Operating Expenses	(4.7)	(5.2)	0.5	-9.6%	(5.2)	(6.1)	0.9	-14.8%
Total Expenses	43.9	43.5	0.4	0.9%	43.5	44.4	0.9	2.0%
Income Before Cap Contr.	3.3	3.4	(0.1)	-2.9%	3.4	(0.4)	3.8	-950.0%
Capital Contributions								
Tap fees	2.4	2.5	(0.1)	-4.0%	2.5	2.1	0.4	19.0%
Developer lines	0.8	0.6	0.2	33.3%	0.6	0.3	0.3	100.0%
Grant contributions	-	-	-	0.0%	-	0.9	(0.9)	-100.0%
Total Capital Contributions	3.2	3.1	0.1	3.2%	3.1	3.3	(0.2)	-6.1%
Changes in Net Position	6.5	6.5	0.0	0.0%	6.5	2.9	3.6	124.1%
Beginning Net Position	277.8	271.3	6.5	2.4%	271.3	268.4	2.9	1.1%
Prior Period Adjustment	-	-	-	0.0%	-	-	-	0.0%
Ending Net Position	\$ 284.3	\$ 277.8	\$ 6.5	2.3%	\$ 277.8	\$ 271.3	\$ 6.5	2.4%

While the Statements of Net Position shows the increase in net position of \$6.5 million, the Statements of Revenues, Expenses, and Changes in Net Position, provides answers as to the nature and source of these changes. A closer examination of the individual categories affecting the source of changes in net position is discussed below.

## **Review of Operations:**

### **Comparison 2018-2017**

Operating revenues increased by \$0.3 million or 0.6%. Water revenue increased 2.65% (\$ 0.7 million) and sewer revenue increased 1.44% (\$0.2 million) with a 2% water rate increase and 3% sewer rate increase in December 2017 and strong steady demand for water. Early in the fiscal year, the rains were below normal and volume of sales indicate customers were using slightly more water and sewer than the previous years. As the year progressed normal rains returned and demand decreased to more normal levels. Bad debt expense increased by \$0.3 million to \$0.5 million due to continued collection efforts. There were no significant other increases or decreases in other revenues.

Operating expenses in 2018 increased \$0.9 million from 2017. Employment cost increased \$0.3 million or 2.6% mainly due to slight increases in salaries, retirement plan cost, and group medical cost, but no increases in personnel levels. The Authority experienced some personnel vacancies during 2018, which is also reflected in the costs savings. The Authority purchased treated water capacity from an outside wholesaler reflecting an increase of \$0.7 million over prior year. Utilities decreased 3.4% over the previous year due to lowered energy costs. There were no significant other increases or decreases in other operating expenses.

### **Comparison 2017-2016**

Operating revenues increased by \$2.8 million or 6.4%. Water revenue increased 7% (\$1.6 million) and sewer revenue increased 8% (\$1.0 million) with a 3% rate increase in December and strong demand for water. During part of the fiscal year, the rains were below normal and volume of sales indicate customers were using slightly more water and sewer than the previous years. As the year progressed normal rains began returning and demand trended to more normal levels. Bad debt expense decreased by \$0.2 million to \$0.2 million due to continued collection efforts. There were no significant other increases or decreases in other revenues.

Operating expenses in 2017 were flat with the previous year. Employment cost increased \$0.6 million or 5.5% mainly due to slight increases in salaries, retirement plan cost, and group medical cost, but no increases in personnel levels. The Authority experienced some personnel vacancies during 2017, which is also reflected in the costs savings. Lack of rain combined with high demand early in the fiscal year, caused the Authority to purchase treated water from an outside wholesaler reflecting an increase of \$0.4 million over prior year. Depreciation expense declined by \$0.5 million. Utilities decreased 3.3% over the previous year due to lowered energy costs resulting in lowered electrical power costs of \$0.1 million. There were no significant other increases or decreases in other operating expenses.

## **Total Non-Operating Revenues and Expenses:**

### **Comparison 2018-2017**

Non-operating interest income was flat, although rates paid on deposits are rising slightly. Total non-operating expenses decreased \$0.5 million to \$4.7 million. Interest expense decreased \$0.3 million due to reduced bond principal outstanding and bond refunding, and other expenses decreased by \$0.2 million. Disposition of capital assets was unchanged in 2018 compared to the 2017.

### **Comparison 2017-2016**

Non-operating interest income increased by \$0.1 on larger deposit balances, although rates paid on deposits remain at historical lows. Total non-operating expenses decreased \$0.9 million to \$5.2 million. Interest expense decreased \$0.9 million due to reduced bond principal outstanding and bond refunding, and other expenses increased by \$0.1 million, including bond refunding expenses. Disposition of capital assets decreased \$0.1 million in 2018 compared to the 2017.

## **Capital Contributions:**

### **Comparison 2018-2017**

Capital contributions increased \$0.1 million to \$3.2 million (up 3.2%). The tap fees were down \$0.1 million (4.0%) to \$2.4 million, developer lines were up \$0.2 million (33.3%) to \$0.8 million. The developer contributions consist of non-cash contributions of commercial or residential developments, of which there is some new development as the market absorbs lot inventory developed in prior years.

**Comparison 2017-2016**

Capital contributions were down \$0.2 million to \$3.1 million (down .1%). The primary downward driver was a drop in Grants from \$0.9 million to near zero. This drop was offset by tap fees and developer contributions. The tap fees were up \$0.4 million (19.0%) to \$2.5 million, developer lines were up \$0.3 million (100%) to \$0.6 million. The increase in tap fees is reflective of the current housing increase over the past fiscal year, but consists mostly of taps sold on existing developed lots, not new subdivision work from developers. The developer contributions consist of non-cash contributions of commercial or residential developments, of which there is little new development as the market absorbs lot inventory developed in prior years. The grant contributions were Federal Emergency management Association (FEMA) grants for the Oak Lane culvert replacement project.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

The tables below provides a summary of the Authority’s changes in capital asset acquisitions financed by Authority expenditures, developer lines, and city and county contributions. At the end of 2018, the Authority had invested \$626.7 million (historical cost) in a broad range of infrastructure including water plants, wastewater plants, wastewater facilities, water & sewer lines, dam construction, reservoir, maintenance and administration facilities, and vehicles and equipment. More detailed information about the Authority’s capital assets is presented in the Notes to the Financial Statements Note 3.

**TABLE A-3  
Capital Assets  
(In millions of dollars)**

Description	Fiscal Year 2018 to 2017 Comparison				Fiscal Year 2017 to 2016 Comparison			
	FY	FY	Dollar	%	FY	FY	Dollar	%
	2018	2017	Change	Change	2017	2016	Change	Change
Land	\$ 14.7	\$ 14.7	\$ -	0.0%	\$ 14.7	\$ 14.7	\$ -	0.0%
Buildings	68.3	68.0	0.3	0.4%	68.0	67.8	0.2	0.3%
Machinery & Equipment	70.5	68.3	2.2	3.2%	68.3	67.3	1.0	1.5%
Improvements	465.4	459.1	6.3	1.4%	459.1	450.7	8.4	1.9%
Construction In Progress	7.8	5.7	2.1	36.8%	5.7	8.8	(3.1)	-35.2%
Subtotal	626.7	615.8	10.9	1.8%	615.8	609.3	6.5	1.1%
Less Accumulated Depreciation	257.9	240.3	17.6	7.3%	240.3	222.7	17.6	7.9%
Net Property, Plant, Equipment	\$ 368.8	\$ 375.5	\$ (6.7)	-1.8%	\$ 375.5	\$ 386.6	\$ (11.1)	-2.9%

Fiscal Year 2018, significant capital assets additions and changes (in millions of dollars) were:

- \$ 0.3 – Buildings - essentially unchanged
  - \$ 2.2 – Machinery & Equipment -  
Power & Misc.. Equipment (\$1.1), Pumps (\$0.5), Transportation (\$0.6)
  - \$ 6.3 – Improvements -  
Stormwater (\$1.4), Meters (\$2.3), Sewer Lines (\$2.1), Water lines (\$0.5)
  - \$ 2.1 – Construction in Progress -  
Completion of certain projects in process (\$2.1) with reclass to permanent categories above.
- \$ 10.9 million – Total Asset Change**

Fiscal Year 2017, significant capital assets additions and changes (in millions of dollars) were:

- \$ 0.2 – Buildings - essentially unchanged
  - \$ 1.0 – Machinery & Equipment -  
Power & Misc.. Equipment (\$0.3), Pumps (\$0.5), Transportation (\$0.2)
  - \$ 8.4 – Improvements -  
Stormwater (\$1.9), Meters (\$2.0), Sewer Lines (\$1.9), Water lines (\$1.9), Pump stations (\$0.7)
  - \$ (3.1) – Construction in Progress -  
Completion of certain projects in process (\$3.1) with reclass to permanent categories above.
- \$ 6.5 million – Total Asset Change**



**DEBT**

At June 30, 2018 year-end, the Authority had \$132.0 million in debt instruments down from \$138.7 million in fiscal year 2017. This decrease was due to scheduled payments on debt and amortization of bond premiums. The Authority was in compliance with all bond and loan covenants during the fiscal years 2018 and 2017. More detailed information about the Authority’s debt liabilities is presented in Note 4 of the Notes to the Financial Statements.

In October 2015, the Authority issued \$73.4 million in 2015 Bonds at 3.1% interest rate for a defeasance of \$68.6 million of 2007 Series Bonds. Proceeds were placed in a trust for the 2007 Bonds which were paid out on the callable date of June 1, 2017.

In December 2013, the Authority issued \$53.2 million in 2013 Bonds at 2.8% interest rate for a defeasance of \$48.4 million of 2005 Series Bonds. Proceeds were placed in a trust for payment of the 2005 Bonds on the callable date of December 2015 (FY16).

<b>BOND RATINGS</b>
<p>With the 2009 Bond issue the Authority received a stand-alone rating of <b>Aa2</b> by Moody’s, and an affirmation of its <b>AA-</b> rating from Standard &amp; Poor’s. In August 2014 Moody’s downgraded the Authority’s rating to <b>Aa3</b>.</p>

<b>LIMITATIONS ON DEBT</b>
<p>Bond Covenants allow for the issuance of additional debt, on parity, as to lien on the net revenues of the System provided certain net earnings ratio(s) conditions are met. The major criteria is that all estimated future net earnings of the system must be at least 1.20 times the highest combined debt service requirement. The Authority’s current coverage ratio is 2.5.</p>

**Debt Coverage Ratio:**

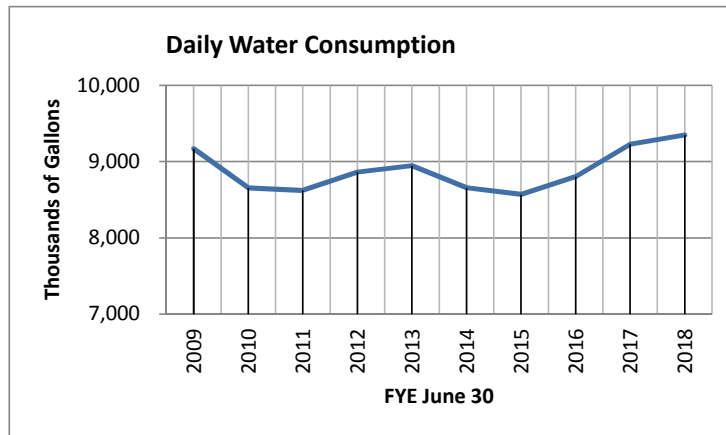
During fiscal year 2018, the Authority’s current debt coverage ratio, including tap fees, was slightly decreased at 2.5, with the maximum annual debt service level at 2.5. The current debt service structure remains rather level reaching maximum annual debt service in 2025 of \$11.4 million and declining after 2030. Note this calculation is based on the actual 2015 Series B bond maturities excluding the mandatory redemption date at June 1, 2030.

**TABLE A-4**  
**Debt Coverage Ratio**  
**(In millions of dollars)**

	Fiscal Year 2018 to 2017 Comparison				Fiscal Year 2017 to 2016 Comparison			
	FY 2018	FY 2017	Dollar Change	% Change	FY 2017	FY 2016	Dollar Change	% Change
Revenue from Operations	\$ 46.9	\$ 46.6	\$ 0.3	0.6%	\$ 46.6	\$ 43.8	\$ 2.8	6.4%
Interest Income	0.3	0.3	-	0.0%	0.3	0.2	0.1	50.0%
Tap Fees	2.4	2.5	(0.1)	-4.0%	2.5	2.1	0.4	19.0%
Total Revenues	49.6	49.4	0.2	0.4%	49.4	46.1	3.3	7.2%
Total Operating Expenses (less depreciation)	21.2	20.3	0.9	4.4%	20.6	19.7	0.9	4.6%
Net Earnings	28.4	29.1	(0.7)	-2.4%	28.8	26.4	2.4	9.1%
Current Annual Debt Service	11.2	11.2	-	0.0%	11.2	11.2	-	0.0%
Debt Coverage Ratio	2.5	2.6	(0.1)	-3.8%	2.6	2.4	0.2	9.1%
Maximum Annual Debt Service	\$ 11.4	\$ 11.4	-	0.0%	\$ 11.4	\$ 11.4	-	0.0%
Debt Coverage Ratio	2.5	2.6	\$ (0.1)	-3.9%	2.5	2.3	\$ 0.2	9.1%

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Conservation efforts brought on by the 2007 drought and adoption of a three tier rate structure resulted in an 18% decrease in daily water consumption after the peak consumption year ended June 30, 2007. Fiscal year 2018 experienced a slight increase in consumption. Water consumption is not anticipated to change significantly, but is expected to trend upwards in the next five years. Long range forecasts by the Atlanta Regional Commission show the same slight upward trend over the next 50 years.



The fiscal year 2019 budget, five year cash flow projections and capital improvement program have been prepared based on projected economic and population growth for the Authority's service area which is expected to remain stable with slight but steady growth anticipated in the next five years. Other factors affecting next year's and future budgets are listed below.

- The 2019 budget was prepared with a 2% increase in water and a 3% increase sewer rates projected in December 2018, however management will review conditions during the year to determine if operating expenses, coverage ratios, debt service, and future capital improvement needs are being met.
- The Authority's Capital Improvement Program is funded through issuance of new debt, capital contributions from tap fees and from developers, and operating revenue in excess of operating expenses and debt service expenses. With the construction and tap fees anticipated to continue to be relatively slow but with positive growth, and with a reluctance to issue new debt except for very large projects, the Authority will be relying heavily on operating revenues to fund capital improvements on a pay-as-you-go basis over the next several years.

## CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Additional CAFR's can be found online at [www.ddcwsa.com](http://www.ddcwsa.com) under the Finance Section. If you have questions about this report or need additional financial information, contact the Douglasville-Douglas County Water and Sewer Authority's Chief Financial Officer, P.O. Box 1157, Douglasville, Georgia 30133.

# **BASIC FINANCIAL STATEMENTS**

**Douglasville-Douglas County Water and Sewer Authority**  
**Statements of Net Position**

	June 30,	
	2018	2017
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 33,373,430	\$ 11,198,399
Accounts receivable, less allowance for doubtful accounts of \$550,000 in 2018 and \$499,972 in 2017	6,541,802	5,989,233
Miscellaneous receivables	128,639	144,990
Inventories	811,844	772,738
Prepaid expenses	557,004	255,649
Restricted assets:		
Cash and cash equivalents	9,000,243	24,923,293
Investments	993,606	956,783
Receivables	154,584	151,864
Total current assets	51,561,152	44,392,949
Non-current assets:		
Capital assets:		
Land and easements	14,735,271	14,724,646
Buildings	68,333,683	68,002,371
Machinery and equipment	70,465,908	68,290,125
Improvements other than buildings	465,372,872	459,130,580
Construction in progress	7,771,989	5,715,504
	626,679,723	615,863,226
Less accumulated depreciation	257,907,349	240,276,253
Net capital assets	368,772,374	375,586,973
Other assets:		
Miscellaneous receivables - non-current, less allowance for doubtful accounts of \$28,700 in 2018 and 2017	227,257	224,212
Prepaid bond insurance costs, net	-	212,391
Net pension asset	1,121,336	-
Investments, net	1,489,270	1,559,417
Total other assets	2,837,863	1,996,020
Total non-current assets	371,610,237	377,582,993
<b>Total assets</b>	<b>423,171,389</b>	<b>421,975,942</b>
<b>Deferred Outflows:</b>		
Pensions	2,593,077	1,963,697
Bond defeasance costs	5,211,450	5,652,974
<b>Total deferred outflows</b>	<b>7,804,527</b>	<b>7,616,671</b>

**Douglasville-Douglas County Water and Sewer Authority**  
**Statements of Net Position (continued)**

	June 30,	
	2018	2017
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable	\$ 1,875,723	\$ 1,577,648
Accrued expenses and other	1,108,139	1,027,384
Revenue bonds, portion due within one year	6,960,000	6,695,000
Current liabilities payable from restricted assets:		
Accrued interest on revenue bonds	351,656	373,132
Accounts payable	427,668	253,471
Customer deposits	3,734,036	3,450,990
Unearned income	1,217,978	1,286,962
Total current liabilities	15,675,200	14,664,587
 Non-current liabilities:		
Other long-term liabilities	3,322,223	4,378,518
Long-term debt:		
Revenue bonds – portion due after one year, net of unamortized (premium)/discounts of (\$356,111) in 2018 and (\$499,583) in 2017	125,366,111	132,469,583
Total long-term debt	125,366,111	132,469,583
Total non-current liabilities	128,688,334	136,848,101
 <b>Total liabilities</b>	 144,363,534	 151,512,688
 <b>Deferred Inflows:</b>		
Pensions	2,326,918	250,160
Total deferred inflows	2,326,918	250,160
 <b>Total liabilities and deferred inflows</b>	 146,690,452	 151,762,848
 <b>Net Position:</b>		
Net investment in capital assets	241,657,713	242,075,364
Amounts restricted for:		
Debt service	641,950	583,651
Renewal and expansion	4,625,068	21,095,286
Unrestricted amounts	37,360,733	14,075,464
<b>Total net position</b>	284,285,464	277,829,765

*See accompanying notes.*

**Douglasville-Douglas County Water and Sewer Authority**  
**Statements of Revenues, Expenses, and Changes in Net Position**

	Year ended June 30,	
	2018	2017
<b>Operating revenues:</b>		
Charges for services (net of bad debt expense \$478,382 in 2018 and \$220,254 in 2017)	\$ 45,610,329	\$ 45,477,313
Penalties	1,290,967	1,095,562
	46,901,296	46,572,875
<b>Operating expenses:</b>		
Employment costs	11,897,400	11,553,615
Repairs and maintenance	2,505,369	2,310,636
Supplies and materials	1,473,224	1,316,364
Depreciation	17,967,528	17,998,936
Utilities	2,814,642	2,902,044
Water and sewer services purchased	1,065,481	734,803
Administration	1,480,673	1,524,977
	39,204,317	38,341,375
<b>Operating income</b>	7,696,979	8,231,500
<b>Non-operating revenues (expenses):</b>		
Interest and fiscal charges, net of capitalized amount of \$66,691 in 2018 and \$70,893 in 2017	(4,899,867)	(5,132,409)
Interest income	320,049	265,358
Gain (loss) on disposal of capital assets	49,377	56,217
Other income (expenses)	74,785	(37,378)
Total non-operating revenue and expenses, net	(4,455,656)	(4,848,212)
Income (loss) before capital contributions	3,241,323	3,383,288
Capital contributions	3,214,376	3,164,305
<b>Change in net position</b>	6,455,699	6,547,593
Total net position - beginning of year, before restatement	277,829,765	271,268,850
Restatement	-	13,322
Total net position - beginning of year, after restatement	277,829,765	271,282,172
<b>Total net position - ending</b>	\$ 284,285,464	\$ 277,829,765

*See accompanying notes.*

# Douglasville-Douglas County Water and Sewer Authority

## Statements of Cash Flows

	Year ended June 30,	
	2018	2017
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 47,309,217	\$ 46,835,461
Cash payments for goods and services	(8,916,939)	(8,996,779)
Cash payments to employees	(12,545,461)	(11,975,931)
Net cash provided by operating activities	25,846,817	25,862,751
<b>Cash flows from capital and related financing activities:</b>		
Payments for capital acquisitions	(10,816,497)	(5,976,306)
Principal repayments on bonds payable	(6,695,000)	(6,490,000)
Interest paid	(4,848,165)	(4,687,233)
Proceeds from the sale of capital assets	49,377	56,217
Capital grants	2,720	16,969
Cash received for water and sewer tap fees	2,429,503	2,519,121
Net cash used in capital and related financing activities	(19,878,062)	(14,561,232)
<b>Cash flows from investing activities:</b>		
Proceeds from (purchase of) investments	(36,823)	(59,583)
Receipts of interest and dividends	320,049	258,304
Net cash provided by investing activities	283,226	198,721
Net increase in cash and cash equivalents	6,251,981	11,500,240
Cash and cash equivalents, beginning of year	36,121,692	24,621,452
Cash and cash equivalents, end of year	\$ 42,373,673	\$ 36,121,692
<b>Reconciliation to Statement of Net Position:</b>		
Cash and cash equivalents	\$ 33,373,430	\$ 11,198,399
<b>Restricted assets:</b>		
Cash and cash equivalents	9,000,243	24,923,293
	\$ 42,373,673	\$ 36,121,692

*Continued on next page*

# Douglasville-Douglas County Water and Sewer Authority

## Statements of Cash Flows (Continued)

	Year ended June 30,	
	2018	2017
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 7,696,979	\$ 8,231,500
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	17,967,528	17,998,936
Bad debt expense	478,382	220,254
Changes in operating assets, liabilities, deferred outflows and deferred inflows:		
Accounts and miscellaneous receivables	(536,220)	(213,161)
Inventories	(39,105)	(56,877)
Prepaid expenses	(301,356)	49,097
Miscellaneous receivables - non-current	(3,045)	17,251
Other non-current assets	(841,843)	168,870
Accounts payable	298,075	(200,175)
Accrued expenses and other	80,753	86,327
Customer deposits	283,046	305,296
Other long-term liabilities	(1,056,295)	(1,252,183)
Unearned income	(68,984)	(67,054)
Deferred outflows	(187,856)	789,132
Deferred inflows	2,076,758	(214,462)
Total adjustments	18,149,838	17,631,251
Net cash provided by operating activities	\$ 25,846,817	\$ 25,862,751

**Schedule of non-cash capital and financing activities:**

Capital assets acquired through:		
Developer contributions	\$ 782,153	\$ 628,215
Total non-cash capital financing activities	\$ 782,153	\$ 628,215

*See accompanying notes.*



**NOTES TO  
FINANCIAL STATEMENTS**

# Douglasville-Douglas County Water and Sewer Authority

## Notes To Financial Statements

### June 30, 2018 and 2017

#### 1. Summary of Significant Accounting Policies

##### *Formation and Governance of the Authority*

The Douglasville-Douglas County Water and Sewer Authority (the “Authority”) was created by an act of the State of Georgia Legislature on March 7, 1985 for the purpose of providing water and sewerage services to the citizens of Douglas County. On December 27, 1985, the Authority accepted the transfer of the assets of water and sewerage systems of the City of Douglasville (the “City”) and Douglas County, Georgia (the “County”). The net book value of the assets transferred was recorded as a capital contribution to the Authority.

The Authority entered into 30-year Intergovernmental agreements with the City and the County to manage the stormwater systems. On January 1, 2003, the City transferred their stormwater system to the Authority in exchange for the waiver of future stormwater service fees. On July 1, 2004, the County transferred their stormwater system to the Authority in exchange for the waiver of future stormwater service fees. As stated in each Agreement, unearned revenue for the City and County was recorded at an amount equal to the present value of the future estimated stormwater service fees for a period of 30 years, and no operating liabilities were assumed or recorded at date of transfer. The estimated fair value of the assets transferred less the unearned revenue was recorded as a capital contribution.

The Authority’s governing body is composed of seven members. Two of the board members are the Mayor of Douglasville and the Chairman of the Board of Commissioners of Douglas County. The remaining five members are selected on a rotating basis by the City and County.

No participating government has access to resources or surpluses, nor are they liable for any of the Authority’s debts or deficits. The Authority has the ability to finance its capital projects through user charges or the sale of revenue bonds. The Authority is not a component unit of any participating government unit. There are no component units within the Authority’s financial statement.

The following is a summary of the Authority’s significant accounting policies:

##### **A. *Basis of Accounting***

The Authority is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and changes in financial position of a specific governmental activity. The activities of enterprise funds closely resemble those of private-sector businesses in which the purpose is to conserve and add to basic resources while meeting the operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges.

The Authority utilizes the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recognized as they are incurred. The Authority financial statements apply all effective pronouncements of the Governmental Accounting Standards Board (GASB), and when not in conflict with, or contradictory to GASB, pronouncements of the Financial Accounting Standards Board (FASB).

##### **B. *Cash and Cash Equivalents***

Cash and cash equivalents include cash on hand, demand deposits, funds retained at banks and other highly liquid investments with a maturity of three months or less.

The Authority has adopted a policy which sets a minimum target of total unrestricted cash on hand equal to two hundred seventy days of budgeted operations.

##### **C. *Investments***

Georgia Fund 1 (GF1) investments for the Authority are reported at fair value. The reported value of funds invested in Georgia Fund 1 is the same as the fair value of the pool shares.

Georgia Fund 1 is the combined state general fund and local government investment pool and is managed by the Office of State Treasurer. Georgia Fund 1 is offered by the State of Georgia to counties, municipalities, public colleges and universities, boards of education special districts, state agencies, and other authorized entities as a conservative, efficient, and liquid investment alternative. The primary investment objectives of Georgia Fund 1 are safety of capital, liquidity, yield, and diversification with primary emphasis on safety of capital and liquidity.

# Douglasville-Douglas County Water and Sewer Authority

## Notes To Financial Statements

### June 30, 2018 and 2017

#### 1. Summary of Significant Accounting Policies (continued)

Georgia Fund invests the pooled funds in U.S. Treasury obligations, securities issued or guaranteed by the U.S. government or any of its agencies or instrumentalities, banker's acceptance and repurchase agreements contracted with highly rated counterparties, and commercial paper rated "A-1" or better. The fund may also invest in certificates of deposit issued by banks domiciled in the State of Georgia that maintain Standard & Poor's ratings of "A-1" or better.

The non-current investment consists of a lump sum single premium life only annuity solely to fund the total pension liability of the former Executive Director pension plan (Plan II) and is stated at the actuarially determined present value of the annuitized payment stream. See Notes 2 and 10.

#### **D. Capital Assets**

Capital assets are defined by the Authority as individual assets with a life expectancy of more than one year and a minimum cost of \$5,000. The capital assets transferred to the Authority were recorded as capital contributions from the City and the County at estimated historical cost, less accumulated depreciation at the date of transfer. The Authority also capitalizes a portion of interest expense as part of the historical cost of constructing expansions to the system. The capital assets of the Authority are depreciated using the straight-line method over estimated useful lives as follows:

Machinery and equipment	5 – 10 years
Buildings and structures	25 – 40 years
Improvements other than buildings	30 – 50 years

#### **E. Inventories**

Inventory of supplies and materials is valued at cost using the first-in, first-out (FIFO) method.

#### **F. Bond Premiums, Bond Discounts and Bond Insurance Costs**

Bond premiums, bond discounts, and bond insurance costs are being amortized on the effective interest method over the term of the related obligation. Bond premiums and discounts are presented as additions and reductions, respectively, to revenue bonds on the accompanying financial statements. Bond issuance costs consist of bond insurance purchased as part of a bond issue. Other related bond issuance costs are expensed in the year the bond is issued.

#### **G. Deferred Outflows/ Inflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then. Currently, deferred outflows consist of pension resources and charges on bond refundings. The pension contributions will be expensed in the subsequent year while the bond refunding charges are amortized over the shorter of the remaining life of the old debt or the new debt. Deferred inflows represent an acquisition of net position that applies to future periods and will not be recognized as an inflow (revenue) until then. Deferred inflows consist of pension plan resources required in future periods.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about fiduciary net position of the Douglasville-Douglas County Water and Sewer Authority Employees Retirement Plan (the "Plan") and additions to /deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by Georgia Municipal Employees Benefit System. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair market value.

# Douglasville-Douglas County Water and Sewer Authority

## Notes To Financial Statements

### June 30, 2018 and 2017

#### 1. Summary of Significant Accounting Policies (continued)

**H. *Net Position***

The Authority classifies net position as follows:

Net Investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt, net of unspent proceeds, related to those assets.

Restricted net position - This component consists of constraints placed on net position use through external constraints imposed by creditors (such as through bond covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets”.

**I. *Compensated Absences (PTO)***

The Authority accrues its liability for earned but unpaid vacation and sick pay costs (Paid Time Off).

**J. *Unearned Income***

Unearned income represents both interest received in advance under a debt service forward delivery agreement, and prepayments from the City and County for stormwater management services. These amounts are being amortized using the interest method over the life of the respective agreements.

**K. *Water and Sewer Tap Fees - Capital Contributions***

Water and sewer tap fees are recorded as capital contributions when received and used in capital assets acquisition.

**L. *Developer Contributions - Lines & Other Assets***

Water and sewer lines, stormwater infrastructure and lift stations are constructed by private developers and dedicated to the Authority, which is then responsible for their future maintenance. These assets are recorded as capital contributions when they pass inspection by the Authority. The estimated costs, which approximate fair value, are capitalized as improvements other than buildings.

**M. *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.

**N. *Statements of Cash Flows***

For purposes of the Statements of Cash Flows, the Authority considers all currency, demand deposits, and money market accounts with banks or other financial institutions to be cash and cash equivalents.

**O. *Management Estimates***

The preparation of the 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

**P. *Reclassification***

Certain amounts for the year ended June 30, 2018 has been reclassified to conform to the current year presentation.

# Douglasville-Douglas County Water and Sewer Authority

## Notes To Financial Statements

### June 30, 2018 and 2017

#### 2. Deposits and Investments

The Authority's available cash is placed in demand deposit accounts, money market treasury accounts, and the State of Georgia Local Government Investment Pool (LGIP)(Georgia Fund 1). The carrying amounts of the cash and investments at June 30 consist of the following:

	2018	2017
Demand deposit accounts	\$ 25,354,675	\$ 36,121,692
Money market account	17,018,998	-
Local government investment pool	993,606	956,783
Investments	1,489,270	1,559,417
	<b>\$ 44,856,549</b>	<b>\$ 38,637,892</b>
Current assets:		
Unrestricted - cash and cash equivalents	\$ 33,373,430	\$ 11,198,399
Restricted - cash and cash equivalents	9,000,243	24,923,293
Restricted - investments	993,606	956,783
Non-current asset:		
Investments	1,489,270	1,559,417
	<b>\$ 44,856,549</b>	<b>\$ 38,637,892</b>

Credit risk - State statutes authorize the Authority to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime banker's acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

The Authority has no formal credit risk policy. The current investment strategy of the Authority provides that safety of capital is the primary objective of all Authority investments and requires that all investments are managed to ensure preservation of and to limit exposure to principal losses due to credit, market and/or liquidity risks.

At June 30, 2018 and 2017, the Authority had the following restricted investments listed at Fair Value:

	2018	2017
Investment		
Georgia Fund 1 LGIP	\$ 993,606	\$ 956,783
Maturities - in weighted average (WAM)	10 days	26 days

Georgia Fund 1 – The investment in Georgia Fund 1 (LGIP) represents the Authority's portion of the pooled investment account. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal. The investment in Georgia Fund 1 is valued at fair value. The regulatory oversight agency for Georgia Fund 1 is the Office of The State Treasurer of the State of Georgia. As of June 30, 2018 and 2017, the Authority's investment in Georgia Fund 1 was rated AAAf by Standard & Poor's.

# Douglasville-Douglas County Water and Sewer Authority

## Notes To Financial Statements

### June 30, 2018 and 2017

#### 2. Deposits and Investments (continued)

The non-current unrestricted investment consists of a lump sum single premium life only annuity solely to fund the pension liability of the former Executive Director pension plan and is stated at the actuarially determined present value of the annuitized payment stream of \$1,489,270 and \$1,559,417 at June 30, 2018 and 2017, respectively. See Note 10.

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.

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 at 110% by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2018 and 2017 all of the Authority's bank balances were insured and collateralized as required.

In fiscal year 2016, the Authority adopted GASB Statement No. 72 (GASB 72), Fair Value Measurement and Application. GASB 72 was issued to address accounting and financial reporting issues related to fair value measurements.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value is the exchange price that would be received for an asset (exit price) in the principal or most advantageous market for an asset in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 inputs utilize quoted prices (un adjusted) in active markets for identical assets that the Authority has the ability to access.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset in active markets, as well as inputs that are observable for the asset (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the asset which are typically based on the Authority's own assumptions, as there is little, if any, related market activity.

		Fair Value Measurement Using		
		Level 1	Level 2	Level 3
2018				
Georgia Fund 1	\$ 993,606	\$ 993,606	\$ -	\$ -
Annuity Investment	1,489,270	-	-	1,489,270
Totals	\$ 2,482,876	\$ 993,606	\$ -	\$ 1,489,270
2017				
Georgia Fund 1	\$ 956,783	\$ 956,783	\$ -	\$ -
Annuity Investment	1,559,417	-	-	1,559,417
Totals	\$ 2,516,200	\$ 956,783	\$ -	\$ 1,559,417

# Douglasville-Douglas County Water and Sewer Authority

## Notes To Financial Statements

### June 30, 2018 and 2017

#### 3. Capital Assets

A summary of capital asset activity and changes in accumulated depreciation for the years ended June 30, 2018 and 2017 follows:

	Balance June 30, 2017	Additions	Retirements & Transfers	Balance June 30, 2018
Capital assets not being depreciated:				
Land and Easements	\$ 14,724,646	\$ 10,625	\$ -	\$ 14,735,271
Construction in progress	5,715,504	9,064,570	(7,008,085)	7,771,989
Total capital assets, not being depreciated	20,440,150	9,075,195	(7,008,085)	22,507,260
Capital assets being depreciated:				
Buildings and Structures	68,002,371	331,312	-	68,333,683
Machinery and Equipment	68,290,125	2,512,215	(336,432)	70,465,908
Improvements Other Than Buildings	459,130,580	6,242,292	-	465,372,872
Total capital assets being depreciated	595,423,076	9,085,819	(336,432)	604,172,463
Less accumulated depreciation for:				
Buildings and Structures	(20,859,131)	(2,228,717)	-	(23,087,848)
Machinery and Equipment	(47,581,470)	(3,734,285)	336,432	(50,979,323)
Improvements Other Than Buildings	(171,835,652)	(12,004,526)	-	(183,840,178)
Total accumulated depreciation	(240,276,253)	(17,967,528)	336,432	(257,907,349)
Total capital assets being depreciated, net	355,146,823	(8,881,709)	-	346,265,114
Net capital assets	\$ 375,586,973	\$ 193,486	\$ (7,008,085)	\$ 368,772,374

	Balance June 30, 2016	Additions	Retirements & Transfers	Balance June 30, 2017
Capital assets not being depreciated:				
Land and Easements	\$ 14,717,946	\$ 6,700	\$ -	\$ 14,724,646
Construction in progress	8,729,258	5,867,399	(8,881,153)	5,715,504
Total capital assets, not being depreciated	23,447,204	5,874,099	(8,881,153)	20,440,150
Capital assets being depreciated:				
Buildings and Structures	67,778,420	223,951	-	68,002,371
Machinery and Equipment	67,320,041	1,432,036	(461,952)	68,290,125
Improvements Other Than Buildings	459,720,122	8,410,458	-	459,130,580
Total capital assets being depreciated	585,818,583	10,066,445	(461,952)	595,423,076
Less accumulated depreciation for:				
Buildings and Structures	(18,670,176)	(2,188,955)	-	(20,859,131)
Machinery and Equipment	(44,249,598)	(3,762,591)	430,719	(47,581,470)
Improvements Other Than Buildings	(159,788,262)	(12,047,390)	-	(171,835,652)
Total accumulated depreciation - restated	(222,708,036)	(17,998,936)	430,719	(240,276,253)
Total capital assets being depreciated, net	363,110,547	(7,932,491)	(31,233)	355,146,823
Net capital assets	\$ 386,557,751	\$ (2,058,392)	\$ (8,912,386)	\$ 375,586,973

Total interest costs incurred during the year amounted to \$4,389,422 and \$4,669,763 in 2018 and 2017, respectively. From these amounts, \$66,691 (2018) and \$70,893 (2017) were capitalized as construction period interest.

Depreciation expense incurred during the year amounted to \$17,967,528 in 2018 and \$17,998,936 in 2017.

# **Douglasville-Douglas County Water and Sewer Authority**

## **Notes To Financial Statements**

### **June 30, 2018 and 2017**

#### **4. Long-Term Debt**

On October 9, 2015, the Authority issued 2015 Series A & B Bonds totaling \$73,420,000 in an advance refunding of the 2007 Series Bonds. The interest rate on Series A Bonds is 3.10% with the final maturity due in 2030. The interest rate on Series B Bonds is 3.14% with a mandatory redemption on June 1, 2030. Annual debt service payments will decrease \$356,000 to \$490,000 for the next 15 years. The economic gain over the 15 years for the refunding is \$7.1 million with a present value of \$5.6 million. The outstanding principal balance on the 2015 Series Bonds was \$66,755,000 and \$69,310,000 at June 30, 2018 and 2017, respectively.

On December 18, 2013, the Authority issued \$53,180,000 Water and Sewerage Revenue Bonds in a partial defeasance of \$48,360,000 of the 2005 Bonds principal outstanding balance. The 2013 Bonds were issued at a 2.8% interest rate with a maturity in 2030. The refunding reduced total debt service by \$6,852,736. The Series 2013 Bonds having a stated maturity of June 1, 2030 and may be redeemed beginning in June 2023 at the option of the Authority in whole or in part with not less than thirty (30) days notice nor more than 60 days notice at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the redemption date. The outstanding principal balance on the 2013 Series Bonds was \$48,700,000 and \$49,995,000 at June 30, 2018 and 2017, respectively.

On November 17, 2009, the Authority issued \$26,720,000 Water and Sewerage Revenue Bonds in a defeasance of the 1998 Bonds principal outstanding balance of \$27,925,000. Interest rates on the 2009 Bonds range from 3% to 5% with a maturity in 2023. Total debt service was reduced by \$2,111,395 with the refunding. The Series 2009 Bonds having a stated maturity of June 1, 2023 and will be subject to scheduled mandatory redemption prior to maturity beginning June 1, 2011 to June 1, 2023 at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the redemption date. The outstanding principal balance on the 2009 Series Bonds was \$16,515,000 and \$19,360,000 at June 30, 2018 and 2017, respectively.

On October 18, 2007, the Authority issued Water and Sewerage Revenue Bonds in the amount of \$76,755,000 with interest rates ranging from 4% to 5%. The Bonds were used to finance the cost of making renovations, additions, extensions and expansions to the system. The outstanding principal balance on the 2007 Series Bonds was \$0 at both June 30, 2018 and 2017, respectively. The amount defeased by the 2015 bond issue was placed in a trust account and was paid out on June 1, 2017.

All bonds are secured by the net revenues of the Authority. Interest is payable semi-annually on June 1 and December 1. Principal is payable annually on June 1.



**Douglasville-Douglas County Water and Sewer Authority**  
**Notes To Financial Statements**  
**June 30, 2018 and 2017**

**4. Long-Term Debt (continued)**

Debt service over the remaining term of the bonds is summarized as follows:

<b>Bond Year Ending June 30</b>	<b>Principal Maturities and Scheduled Mandatory Redemption Payments</b>	<b>Interest Payments</b>	<b>Total Debt Service on the Bonds</b>
2019	\$ 6,960,000	\$ 4,219,874	\$ 11,179,874
2020	7,220,000	3,951,420	11,171,420
2021	7,505,000	3,672,050	11,177,050
2022	7,795,000	3,383,112	11,178,112
2023	8,090,000	3,083,077	11,173,077
2024-2028	45,220,000	11,511,180	56,731,180
2029-2030	49,180,000	7,782,945	56,962,945
<b>Totals</b>	<b>131,970,000</b>	<b>\$ 37,603,658</b>	<b>\$ 169,573,658</b>
Less: Portion due within one year	(6,960,000)		
Net Unamortized premium	356,111		
Long-term debt at June 30, 2018	<u>\$ 125,366,111</u>		

Bond indentures for the Authority's revenue bonds include provisions requiring the Authority to set up certain debt related accounts, the transfer of one-sixth interest and one-twelfth principal each month to a sinking fund and requirements relating to rate setting and maintaining certain coverage ratios. For purposes of calculating certain coverage ratios, the 2015 Bond Series B provides annual bond maturities through 2037; however, the Series B maintains a mandatory redemption date of June 1, 2030.

Changes in long-term debt are as follows:

	June 30, 2017	Additions	Reductions	June 30, 2018	Due Within One Year
2009 Revenue Bonds	\$ 19,360,000	\$ -	\$ (2,845,000)	\$ 16,515,000	\$ 2,985,000
2013 Revenue Bonds	49,995,000	-	(1,295,000)	48,700,000	1,340,000
2015 Revenue Bonds	69,310,000	-	(2,555,000)	66,755,000	2,635,000
	<u>138,665,000</u>	<u>-</u>	<u>(6,695,000)</u>	<u>131,970,000</u>	<u>6,960,000</u>
Premiums/(Discounts):					
2009 Revenue Bonds	499,583	-	(143,472)	356,111	-
Total long-term debt	<u>\$ 139,164,583</u>	<u>\$ -</u>	<u>\$ (6,838,472)</u>	<u>\$ 132,326,111</u>	<u>\$ 6,960,000</u>
Current Portion of debt	(6,695,000)			(6,960,000)	
Long-Term debt	<u>\$ 132,469,583</u>			<u>\$ 125,366,111</u>	

**Douglasville-Douglas County Water and Sewer Authority**  
**Notes To Financial Statements**  
**June 30, 2018 and 2017**

**4. Long-Term Debt (continued)**

Changes in long-term debt (continued)

	June 30, 2016	Additions	Reductions	June 30, 2017	Due Within One Year
2007 Revenue Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
2009 Revenue Bonds	22,110,000	-	(2,750,000)	19,360,000	2,845,000
2013 Revenue Bonds	51,260,000	-	(1,265,000)	49,995,000	1,295,000
2015 Revenue Bonds	71,785,000	-	(2,475,000)	69,310,000	2,555,000
	<u>145,155,000</u>	<u>-</u>	<u>(6,490,000)</u>	<u>138,665,000</u>	<u>6,695,000</u>
Premiums/(Discounts):					
2005 Revenue Bonds	-	-	-	-	-
2007 Revenue Bonds	-	-	-	-	-
2009 Revenue Bonds	659,094	-	(159,511)	499,583	-
Total long-term debt	<u>\$ 145,814,094</u>	<u>\$ -</u>	<u>\$ (6,649,511)</u>	<u>\$ 139,164,583</u>	<u>\$ 6,695,000</u>
Current Portion of Debt	(6,490,000)			(6,695,000)	
Long-Term Debt	<u>\$ 139,324,094</u>			<u>\$ 132,469,583</u>	

**5. Restricted Assets**

Certain of the Authority's assets are restricted for specified purposes. Legal or contractual agreements restrict amounts for debt service, refunding of meter deposits and capital improvements. Board restrictions on reserved funds were changed during a recent year to include shortfalls in operations or debt service and were removed from the restricted classification. A breakdown of the specified purposes of the restricted assets is as follows:

	2018	2017
Legal:		
Renewal and extension cash	\$ 5,921,637	\$ 21,971,368
Refundable meter deposits	3,078,606	2,951,925
Debt service sinking fund	993,606	956,783
	<u>9,993,849</u>	<u>25,880,076</u>
Receivables	154,584	151,864
Totals	<u>\$ 10,148,433</u>	<u>\$ 26,031,940</u>

Amounts in the Debt Service Sinking Fund are restricted to the payment of current bond principal and interest requirements as they become due, as well as required fiscal charges. Sinking fund payments required by the Authority for bond year 2018 and 2017 total \$ 11,150,892 and \$11,177,235, respectively.

**Douglasville-Douglas County Water and Sewer Authority**  
**Notes To Financial Statements**  
**June 30, 2018 and 2017**

**6. Deferred Outflows / Deferred Inflows of Resources**

Deferred outflows and inflows consisted of the following:

	2018	2017
Deferred Outflows		
ERP pension plan (see Note 9)	\$ 2,593,077	\$ 1,963,697
Bond refundings	5,211,450	5,652,974
Total deferred outflows	\$ 7,804,527	\$ 7,616,671
Deferred Inflows		
ERP pension plan	\$ 2,326,918	\$ 250,160
Total deferred inflows	\$ 2,326,918	\$ 250,160

**7. Other Long-Term Liabilities**

Other long-term liabilities consisted of pension and other post employment benefits as follows:

	2018	2017
Net Pension Liability - ERP Plan (see note 9)	\$ -	\$ 1,048,939
Total Pension Liability- Plan II (see note 10)	2,627,150	2,743,219
Other Post Employment Benefits Plan (see Note 12)	695,073	586,360
Total	\$ 3,322,223	\$ 4,378,518

**8. Net Investment in Capital Assets**

Net investment in capital assets can be summarized by the year end balances as follows:

	2018	2017
Net capital assets	\$ 368,772,374	\$ 375,586,973
Debt related to capital assets	(132,326,111)	(139,164,583)
Debt related deferred outflows	5,211,450	5,652,974
End of year	\$ 241,657,713	\$ 242,075,364

# Douglasville-Douglas County Water and Sewer Authority

## Notes To Financial Statements

### June 30, 2018 and 2017

#### **9. Pension - Employees Retirement Plan (ERP)**

##### ***General Information about the Pension Plan***

##### **Plan Description**

The Douglasville-Douglas County Water & Sewer Authority Employees Retirement Plan (the "Plan" "ERP") is an agent multiple-employer public employee defined benefit retirement plan. The plan covers all employees of the Authority and is affiliated with the Georgia Municipal Employees Benefit System (the "System"), which acts as a common investment and administrative agent for municipalities in the State of Georgia. The benefit provisions and all other requirements are established by State law. The System issues a publicly available financial report that includes financial statements for the Plan. That report may be obtained by writing to Georgia Municipal Employees Benefit System (GMEBS), 201 Pryor Street SW, Atlanta, Georgia 30303.

The following brief description of the pension plan terms is provided for general information purposes only. Participants should refer to the plan document for more complete information. The original date of the plan was March 1, 1986. The plan was amended June 1, 1994, January 1, 1997, December 1, 1999, July 1, 2003 and January 1, 2009, with an additional amendment scheduled to take effect January 1, 2019.

##### **Benefits Provided**

All employees hired in positions that meet or exceed the prescribed annual hourly standard are enrolled in the Authority's retirement plan. No employee contributions are allowed in the plan. Normal retirement age under the Plan is 65 with at least 5 years service and early retirement is at age 55 with 10 years of service. Employees are eligible for coverage after one year of continuous service, who work a scheduled 30 hour week (20 hours for employees hired before June 1, 1994). Maximum credit for years of service for employees hired after December 1, 1999 is 30 years. The plan was amended in January 1, 2009, and differences in benefits are:

*Employees hired before January 1, 2009: Vesting after 5 years service, normal retirement benefits are calculated at 2% per year of service based on average of highest 36 consecutive months, with early retirement at 55, and under the rule of 80. Disability benefits apply without minimum service. Benefits contain a cost of living provision not to exceed 5% annually.*

*Employees hired on or after January 1, 2009: Vesting after 10 years service, normal retirement benefits are calculated at 1 ½ % per year of service based on the average of highest 60 consecutive months. Rule of 80 early retirement benefits do not apply, disability benefits do not apply and there is no cost of living adjustment.*

##### **Employees Covered by Benefits**

Membership of the Plan as of the valuation date of January 1, 2018 was:

<b>Members of the Plan</b>	<b>Participants</b>
Retirees and beneficiaries receiving benefits	81
Terminated plan members entitled to, but not yet receiving benefits	77
Active plan members	180
<b>Total Membership</b>	<b>338</b>

##### **Contributions**

The Plan is subject to minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). The GMEBS Board of Trustees had adopted an independent actuarial funding policy that exceeds State law requirements, but is in accordance with required contributions as defined by generally accepted accounting principles. This policy requires a different funding level than the estimated minimum annual contribution to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the plan. There are no assets legally reserved for purposes other than the payment of plan member benefits for the plan. For the year ended June 30, 2018, the average active employee contribution rate was 13.29% of covered payroll. For the year ended June 30, 2017, the average active employee contribution rate was 12.38%. The Authority's cash contributions to the plan totaled \$1,320,000 and \$1,200,024 for the years ended June 30, 2018 and 2017, respectively.

# Douglasville-Douglas County Water and Sewer Authority

## Notes To Financial Statements

### June 30, 2018 and 2017

#### **9. Pension - Employees Retirement Plan (ERP)(continued)**

##### ***Net Pension Liability***

The Authority's net pension asset (liability) was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date, with a Plan report prepared as of January 1, 2018.

##### **Actuarial Assumptions**

The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75%
Investment Rate of Return	7.50%
Projected Salary Increases	2.75% plus service based on merit increases
Cost of living adjustments	2.75% for participants hired before 1/1/2009; otherwise 0.00%.

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a four-year review for the period January 1, 2010 to June 30, 2014.

The actuarial assumptions used in the January 1, 2018 valuation were based on results of an actuarial experience study for the period January 1, 2010 through June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of the September 30, 2017 measurement date are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	45%	6.71%
International equity	20%	7.71%
Real estate	10%	5.21%
Global Fixed income	5%	3.36%
Domestic Fixed income	20%	2.11%
Cash	0%	
Total	<u>100%</u>	

##### ***Discount Rate***

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the current contribution rate as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Douglasville-Douglas County Water and Sewer Authority**  
**Notes To Financial Statements**  
**June 30, 2018 and 2017**

**9. Pension - Employees Retirement Plan (ERP)(continued)**

**Changes in Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability(TPL)	Fiduciary Net Position(FNP)	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at September 30, 2016 (Measurement Date)	\$ 32,955,005	\$ 31,906,066	\$ 1,048,939
Changes for the year:			
Service cost	557,113	-	557,113
Interest	2,505,519	-	2,505,519
Differences between expected and actual experience	1,335,128	-	1,335,128
Contributions - employer	-	1,235,918	(1,235,918)
Contributions - employee	-	-	-
Net investment income	-	4,802,662	(4,802,662)
Benefit payments	(1,251,452)	(1,251,452)	-
Administrative expense	-	(62,412)	62,412
Other	(591,867)	-	(591,867)
Net changes	<u>2,554,441</u>	<u>4,724,716</u>	<u>(2,170,275)</u>
Balances at September 30, 2017 (Measurement Date)	<u>\$ 35,509,446</u>	<u>\$ 36,630,782</u>	<u>\$ (1,121,336)</u>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the Authority, calculated using the discount rate of 7.50 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Authority's Net Pension Liability (Asset)	\$3,208,783	(\$1,121,336)	(\$4,745,573)

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued GMEBS financial report.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2018, the Authority recognized ERP pension plan expense of \$603,003. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,603,077	\$ -
Changes of assumptions	-	(443,901)
Net difference between projected and actual earnings on pension plan investments	-	(1,883,017)
Employer contributions to pension plan after measurement date of the net pension liability	990,000	-
Total	<u>\$ 2,593,077</u>	<u>\$ (2,326,918)</u>

**Douglasville-Douglas County Water and Sewer Authority**  
**Notes To Financial Statements**  
**June 30, 2018 and 2017**

**9. Employees Retirement Plan (ERP) (continued)**

The value of \$990,000 reported as deferred outflows of resources related to pensions resulting from employer contributions after the measurement date will be recognized as an addition to the net pension asset in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>Outflows</u>	<u>Inflows</u>
2019	\$ 795,730	\$ (615,759)
2020	473,565	(433,932)
2021	333,782	(810,635)
2022	-	(466,592)
2023	-	-
Thereafter	-	-
Subtotals	1,603,077	(2,326,918)
Employer contributions after the measurement date	990,000	-
Totals	<u>\$ 2,593,077</u>	<u>\$ (2,326,918)</u>

***Payables to the Pension Plan***

At June 30, 2018, the Authority did not have any payables to the pension plan required for the year ended June 30, 2018.

**10. Pension - Former Executive Director - Plan II**

***General Information about the Pension Plan***

**Plan Description**

The Douglasville-Douglas County Water & Sewer Authority - Executive Director Plan is a single employer – single employee defined benefit plan (the "Plan II") that offers the Former Executive Director additional supplemental pension retirement benefits. The plan is a defined benefit retirement plan based on number of years service, cost of living adjustment, and is reduced by any benefits paid by the Employees Retirement Plan (ERP Plan) shown above in Note 9. The plan does not issue a stand-alone report. The plan is not administered through a trust and through the fiscal year ended June 30, 2016 followed GASB Statement No. 27. Beginning with and subsequent to the year ended June 30, 2017 the plan is reported under GASBS 73 for pension plans without a trust.

The following is a brief description of the plan for general information purposes. The Authority entered into an Employment Agreement with the Executive Director on October 1, 1999 providing supplemental pension retirement benefits. The Executive Director is not required to contribute to the plan. On February 1, 2007 the Executive Director officially retired. There are no provisions for change other than by mutual agreement by both parties.

**Benefits Provided**

This is a single employee plan with 4% of employee's average annual compensation multiplied by the number of years of service with the average annual compensation based on three highest years worked before retirement less any payments received from GMEBS (see pension information above). The employee retired under the rule of 80 at 55 with 25 years of service. Benefits are to be adjusted annually with prior year's CPI inflation rate.

**Employees Covered by Benefits**

Membership of the Plan as of the valuation date at June 30, 2018 was:

<b>Members of the Plan</b>	<b>Participants</b>
Retirees and beneficiaries receiving benefits	1
Terminated plan members entitled to, but not yet receiving benefits	0
Active plan members	0
<b>Total Membership</b>	<u><u>1</u></u>

# Douglasville-Douglas County Water and Sewer Authority

## Notes To Financial Statements

### June 30, 2018 and 2017

#### 10. Pension - Former Executive Director - Plan II (continued)

##### **Contributions and Funding**

During fiscal year 2007, the Authority purchased lump sum single premium life only annuities in the amount of \$1,651,197 for this pension retirement obligation to the Former Executive Director. The cost of living adjustments have not been funded in the annuity. In January of each year a payment is made to the Executive Director to pay for any pension liability due to cost of living provisions not covered by the annuities or GMEBS pension payments. The liability associated with this plan is listed as other long-term liabilities in the statements of net position.

##### **Total Pension Liability**

The Authority's total pension liability was measured at June 30, 2018, and was determined by an actuarial valuation as of that date.

##### **Actuarial Assumptions**

The total pension liability in the June 30, 2018 actuarial valuation was determined using actuarial assumptions. The inflation rate used is 3.0 percent. Mortality rates were based on the 2014 RP-2014 Mortality Table with Scale MP Projections.

##### **Discount Rate**

The discount rate used to measure the total pension liability was 3.87 percent, representing the June 30, 2018 published yield for 20 year tax-exempt obligation municipal bonds with an average rating of AA/Aa or higher.

##### **Changes in Total Pension Liability**

	Total Pension Liability Increase(Decrease)
Balances at June 30, 2017 (Measurement Date)	\$ 2,743,219
Changes for the year:	
Changes in assumptions	13,058
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments	(129,127)
Administrative expense	-
Other	-
Net changes	(116,069)
Balances at June 30, 2018 (Measurement Date)	\$ 2,627,150

The following presents the total pension liability of the Authority's Plan II, calculated using the discount rate of 3.87 percent, as well as what the Plan II's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current rate:

	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
Authority's Net Pension Liability (Asset)	\$2,941,183	\$2,627,150	\$2,360,246

At June 30, 2018, the Authority did not have any payables related to Plan II for the year ended June 30, 2018.

The required supplementary information immediately following the notes to the financial statements presents multi-year trend information on total pension liability and pension contributions.



# Douglasville-Douglas County Water and Sewer Authority

## Notes To Financial Statements

### June 30, 2018 and 2017

**10. Pension - Former Executive Director - Plan II (continued)**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective and calculations are based on the substantive plan in effect as of June 30, 2018.

**11. Deferred Compensation**

**Deferred Compensation Plan**

The Authority offers its employees a voluntary 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. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. As required by Federal regulations, these plan assets are held in trust for the exclusive benefit of participants and their beneficiaries.

The Authority has no fiduciary relationship with the trust that is administered by a third party. In accordance with the provisions of Statement of Governmental Accounting Standards No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, the plan assets are not reported in the Authority's financial statements.

**12. Other Post Employment Benefits Plan (OPEB)**

**Plan Description**

The Authority does not provide post-retirement benefits to its employees with the exception of hospitalization and medical coverage of a former Executive Director who retired effective February 1, 2007 and hospitalization insurance premium coverage for a Deputy Director who retired effective June 30, 2014. Douglasville-Douglas County Water & Sewer Authority's Executive Employment Agreement Plan is a single-employer defined benefit plan administered by the Authority. The plan was created on October 1, 1999, when the Authority entered into an employment agreement with the Executive Director providing supplemental retirement benefits. The Authority entered into a retirement agreement with the Deputy Director on May 28, 2013 whereby agreeing to reimburse \$1,046.05 per month for hospitalization insurance upon retirement on June 30, 2014 until the age of 65 is reached or other employment and insurance is obtained. The GASB 75 actuarial accrued total OPEB liability as of June 30, 2018 was \$695,073. The calculations are based on the OPEB benefits provided under terms of the substantive plan in effect at the time of each valuation. The plan is not administered through a trust, has no OPEB assets, and does not issue a stand-alone report.

**Benefits**

The Authority agreed to pay all health insurance and reimbursement for medical expenses for the former Executive Director and any dependents for the rest of his life after retirement. The benefits were created by the 1999 employment agreement between the retired Executive Director and the Board of Directors. There are no provisions for changes other than by mutual agreement from both parties. The Authority also agreed to pay \$1,046.05 monthly for hospitalization insurance coverage for the retired Deputy Director upon retirement on June 30, 2014 until he reaches age 65. No changes or amendments are allowed except by mutual agreement from both parties.

**Eligibility**

Only two former employees are eligible to receive benefits under this plan – the retired Executive Director and retired Deputy Director.

**Membership**

Membership of the Plan as of June 30, 2018 was:

<u>Members of the Plan</u>	<u>Participants</u>
Retirees and beneficiaries receiving benefits	2
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	-
<b>Total Membership</b>	<u>2</u>

# Douglasville-Douglas County Water and Sewer Authority

## Notes To Financial Statements

### June 30, 2018 and 2017

#### 12. Other Post Employment Benefits Plan (OPEB) (continued)

##### **Contributions – Funding**

The Authority funds this benefit on a pay-as-you-go basis. The closed plan actuarial total OPEB liability was computed as of June 30, 2018 and June 30, 2017 and any adjustments were fully recognized as of those dates. The total OPEB obligation appears on the statements of net position as a part of other long term liabilities. Benefits funded and paid out for the past fiscal years totaled \$40,631 (2018) and \$35,411 (2017).

##### **Actuarial Assumptions**

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using actuarial assumptions. The inflation rate used is 3.0 percent. Mortality rates were based on the 2014 RP-2014 Mortality Table with Scale MP Projections.

##### **Discount Rate**

The discount rate used to measure the total OPEB liability was 3.87 percent, representing the June 28, 2018 published yield for 20 year tax-exempt obligation municipal bonds with an average rating of AA/Aa or higher.

##### **Changes in Total OPEB Liability**

	Total OPEB Liability
	Increase(Decrease)
Balance at June 30, 2017 (Measurement Date)	\$ 586,360
Changes for the year:	
Service cost	-
Changes in assumptions	149,344
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments	(40,631)
Other	-
Net changes	108,713
Balance at June 30, 2018 (Measurement Date)(See Note 7)	\$ 695,073

The following presents the total OPEB liability of the Authority's OPEB Plan, calculated using the discount rate of 3.87 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current rate:

	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
Authority's Total OPEB Liability	\$767,375	\$695,073	\$617,503

The following presents the total OPEB liability of the Authority's OPEB Plan, calculated using the healthcare cost trend rate of 7.50 percent, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 6.50%	Current Healthcare Cost Trend Rate 7.50%	1% Increase 8.50%
Authority's Total OPEB Liability	\$635,633	\$695,073	\$760,003

# **Douglasville-Douglas County Water and Sewer Authority**

## **Notes To Financial Statements**

### **June 30, 2018 and 2017**

#### **12. Other Post Employment Benefits Plan (OPEB) (continued)**

At June 30, 2018, the Authority did not have any payables related to the plan for the year ended June 30, 2018.

The required supplementary information immediately following the notes to the financial statements presents the Changes in Total OPEB Liability and related ratios. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective and calculations are based on the substantive plan in effect as of June 30, 2018.

#### **13. Commitments and Contingencies**

##### **Commitments**

In the normal course of business, the Authority enters into agreements with contractors for the construction and expansion of the system. As of June 30, 2018 and 2017, outstanding construction commitments totaled \$1,945,109 and \$1,802,200, respectively.

##### **Litigation**

As of June 30, 2018 and 2017 there were no pending or threatened litigation, claims or assessments against the Authority that would have a material impact on the financial position of the Authority in legal counsel's opinion.

#### **14. Risk Management**

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority continues to carry commercial insurance for most risk of loss, including workers' compensation and employee health and accidental insurance. There have been no significant reductions in insurance coverage and no settlements exceeding insurance coverage for the past three years.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**Douglasville-Douglas County Water and Sewer Authority**  
**Required Supplementary Information**  
**June 30, 2018 and 2017**

*Schedule of Changes in the Net Pension Liability and Related Ratios - ERP Plan*

	2018	2017	2016	2015
<b>Total pension liability</b>				
Service costs	\$ 557,113	\$ 515,299	\$ 554,862	\$ 672,716
Interest	2,505,519	2,331,786	2,103,522	2,030,570
Difference between expected and actual experience	1,335,128	559,132	1,288,658	(50,787)
Changes of assumptions	-	-	-	(878,454)
Benefit payments	(1,251,452)	(1,077,543)	(925,853)	(739,608)
Other	(591,867)	-	-	-
Net change in total pension liability	2,554,441	2,328,674	3,021,189	1,034,437
Total pension liability - beginning	32,955,005	30,626,331	27,605,142	26,570,705
Total pension liability - ending (a)	<u>\$ 35,509,446</u>	<u>\$ 32,955,005</u>	<u>\$ 30,626,331</u>	<u>\$ 27,605,142</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 1,235,918	\$ 1,125,009	\$ 1,174,983	\$ 1,210,916
Net investment income	4,802,662	3,204,252	307,810	2,854,007
Benefit payments	(1,251,452)	(1,077,543)	(925,853)	(739,608)
Administrative expense	(62,412)	(34,041)	(38,347)	(29,984)
Net change in fiduciary net position	4,724,716	3,217,677	518,593	3,295,331
Plan fiduciary net position - beginning	31,906,066	28,688,389	28,169,796	24,874,465
Plan fiduciary net position - ending (b)	<u>\$ 36,630,782</u>	<u>\$ 31,906,066</u>	<u>\$ 28,688,389</u>	<u>\$ 28,169,796</u>
Authority's net pension liability (asset) - ending (a) - (b)	\$ (1,121,336)	\$ 1,048,939	\$ 1,937,942	\$ (564,654)
Plans fiduciary net position as a percentage of the total pension liability (b)/(a)	103.16%	96.82%	93.67%	102.05%
Covered payroll	\$ 8,912,981	\$ 9,045,724	\$ 8,127,882	\$ 7,573,393
Net pension liability as a percentage of covered payroll	-12.58%	11.60%	23.84%	-7.46%

**Notes to Schedule:**

1. 2015 is the first year that data has been measured in accordance with GASB Statement No. 68.
2. Schedule is intended to show information for the last ten years. Additional years will be displayed as they become available.

**Douglasville-Douglas County Water and Sewer Authority**  
**Required Supplementary Information**  
**June 30, 2018 and 2017**

***Schedule of Pension Contributions - ERP Plan***

	2018	2017	2016	2015
Actuarially determined contribution	\$ 913,843	\$ 872,444	\$ 775,075	\$ 928,608
Contributions in relation to the actuarially determined contribution	1,320,000	1,200,024	1,100,004	1,199,977
Contribution deficiency (excess)	<u>\$ (406,157)</u>	<u>\$ (327,580)</u>	<u>\$ (324,929)</u>	<u>\$ (271,369)</u>
Covered payroll	\$ 9,932,271	\$ 9,694,924	\$ 9,446,108	\$ 9,043,664
Contributions as a percentage of covered payroll	13.29%	12.38%	11.65%	13.27%

**Notes To Schedule of Contributions:**

The information presented was determined as of part of the actuarial valuations at the dates indicated. Additional information as of the latest valuation follows:

Valuation date	January 1, 2018
Actuarial cost method	Projected unit credit
Amortization method	Closed level dollar for remaining unfunded liability
Remaining amortization period	N/A
Asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Actuarial assumptions:	
Net investment rate of return	7.50%
Projected salary increases	2.75% plus service based merit increases
Cost of living adjustments	2.75% for participants hired prior to 1/1/2009; 0% otherwise.
Retirement age	Normal retirement at age 65. Assumptions 60% at ages 65 to 69 and 100% at age 70. Where normal retirement is available before 65, assumptions are 10% at ages 55 to 59, 20% at ages 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at age 65 to 69, and 100% at age 70.
Mortality	The actuarial valuation assumed life expectancies were adjusted as a results of adopting the RP-2000 Healthy Mortality Table adjusted for actuarial experience study for the period January 1, 2010 through June 30, 2014.
Other information:	
Benefit changes	Effective January 1, 2015, the Plan was amended to provide for immediate participation for employees. This change has no impact on service credited under the Plan and has no impact on benefits.

1. 2015 is the first year that data has been measured in accordance with GASB 68.
2. Schedule is intended to show information for the last ten years. Additional years will be displayed as they become available.

**Douglasville-Douglas County Water and Sewer Authority**  
**Required Supplementary Information**  
**June 30, 2018 and 2017**

***Schedule of Changes in the Total Pension Liability and Related Ratios - Plan II***

	2018	2017
<b>Total pension liability</b>		
Total pension liability - beginning of fiscal year July 1	\$ 2,743,219	\$ 3,086,636
Changes of assumptions	13,058	(214,290)
Benefit payments	(129,127)	(129,127)
Net change in total pension liability	(116,069)	(343,417)
Total pension liability - end of fiscal year June 30	\$ 2,627,150	\$ 2,743,219
 <b>Plan Fiduciary Net Position</b>	 None	 None
Plans fiduciary net position as a percentage of the total pension	N/A	N/A
Covered payroll	None	None
Net pension liability as a percentage of covered payroll	N/A	N/A

**Notes to Schedule:**

1. 2017 is the first year that data has been measured in accordance with GASB Statement No. 73.
2. No assets are accumulated in a trust to pay related benefits.
3. Schedule is intended to show information for the last ten years. Additional years will be displayed as they become available.

**Douglasville-Douglas County Water and Sewer Authority**  
**Required Supplementary Information**  
**June 30, 2018 and 2017**

*Schedule of Pension Contributions - Plan II*

	2018	2017
Actuarially determined contribution	None	None
Contributions in relation to the actuarially determined contribution	N/A	N/A
Contribution deficiency (excess)	N/A	N/A
Covered payroll	None	None
Contributions as a percentage of covered payroll	N/A	N/A

**Notes To Schedule of Contributions:**

The information presented was determined as of part of the actuarial valuations at the dates indicated. Additional information as of the latest valuation follows:

Valuation date	June 30, 2018	June 30, 2017
Actuarial assumptions:		
Discount Rate	3.87%	3.58%
Inflation Rate	3.00%	3.00%
Other information:		
Benefit changes	None	None

1. 2017 is the first year that data has been measured in accordance with GASBS No. 73.
2. Schedule is intended to show information for the last ten years. Additional years will be displayed as they become available.



**Douglasville-Douglas County Water and Sewer Authority**  
**Required Supplementary Information**  
**June 30, 2018 and 2017**

*Schedule of Changes in the Total OPEB Liability and Related Ratios*

	2018	2017
<b>Total OPEB Liability:</b>		
Total OPEB liability - beginning	\$ 586,360	\$ 606,123
Changes of assumptions or other inputs	149,344	15,648
Benefit payments	(40,631)	(35,411)
Net change in total OPEB liability	108,713	(19,763)
Total OPEB liability - ending	<u>\$ 695,073</u>	<u>\$ 586,360</u>
<b>OPEB Ratios:</b>		
Total OPEB liability	\$ 695,073	\$ 586,360
Covered payroll	\$ -	\$ -
Ratio OPEB liability to covered payroll	N/A	N/A
Change of benefit terms	none	none
Change of population covered	none	none
Change in assumptions	none	none

**Notes to Schedule:**

1. 2017 is the first year that data has been measured in accordance with GASBS No. 75.
2. No assets are accumulated in a trust that meets criteria of paragraph 4 of GASBS No. 75 to pay related benefits.
3. Schedule is intended to show information for the last ten years. Additional years will be displayed as they become available.

**Douglasville-Douglas County Water and Sewer Authority**  
**Required Supplementary Information**  
**June 30, 2018 and 2017**

*Schedule of OPEB Contributions - Plan II*

	2018	2017
Actuarially determined contribution	None	None
Contributions in relation to the actuarially determined contribution	N/A	N/A
Contribution deficiency (excess)	N/A	N/A
Covered payroll	None	None
Contributions as a percentage of covered payroll	N/A	N/A

**Notes To Schedule of Contributions:**

The information presented was determined as of part of the actuarial valuations at the dates indicated. Additional information as of the latest valuation follows:

Valuation date	June 30, 2018	June 30, 2017
Actuarial assumptions:		
Discount rate	3.87%	3.58%
Inflation rate	3.00%	3.00%
Healthcare cost trend rate	7.50%	7.50%
Other information:		
Benefit changes	None	None

1. 2017 is the first year that data has been measured in accordance with GASB 73.
2. Schedule is intended to show information for the last ten years. Additional years will be displayed as they become available.

**ADDITIONAL SCHEDULES OF  
INDIVIDUAL ACCOUNTS**

# Douglasville-Douglas County Water & Sewer Authority

SCHEDULE 1

## OPERATING ACCOUNTS

All revenues received from the operations of the System are collected by the Authority and deposited into the Revenue "Operating" Accounts. Disbursements made from the Operating Accounts are payments for, and in order as follows:

- \*a) Operating, maintaining and repairing the system in accordance with sound business practices at management's discretion.
- b) Debt Service and/or Debt Service Reserve
- c) Renewal and Extension Funds

\*The Authority's Board of Directors has set aside moneys in the Operating accounts, (via resolution), which have been reserved for potential catastrophic or disaster emergencies or shortfalls in operations and debt service.

## COMPARATIVE SCHEDULE OF OPERATING REVENUES

	<u>2018</u>	<u>2017</u>	<u>Variance</u> <u>Amount</u>	<u>Percent</u>
<b>Operating Revenues</b>				
Operating Revenue - Water	\$ 26,096,775	\$ 25,421,879	\$ 674,896	2.65%
Operating Revenue - Sewer	14,206,896	14,005,580	201,316	1.44%
Operating Revenue - Stormwater	4,476,451	4,712,145	(235,694)	-5.00%
Reuse Revenue	256,582	269,846	(13,264)	-4.92%
Inspection Fees	31,450	34,250	(2,800)	-8.18%
Soil and Erosion Control Fees	55,708	56,666	(958)	-1.69%
Cut Off Charges	534,182	489,211	44,971	9.19%
Sale of Materials and Supplies	28,509	31,782	(3,273)	-10.30%
Miscellaneous Revenues	386,168	660,819	(274,651)	-41.56%
Penalties	1,290,967	1,095,562	195,405	17.84%
Dog River Recreational Complex	15,990	15,389	601	3.91%
<b>Total Operating Revenues</b>	47,379,678	46,793,129	586,549	1.25%
Bad Debt Expense	(478,382)	(220,254)	(258,128)	117.20%
<b>Net Operating Revenues</b>	<u><u>\$ 46,901,296</u></u>	<u><u>\$ 46,572,875</u></u>	<u><u>\$ 328,421</u></u>	<u><u>0.71%</u></u>

# Douglasville-Douglas County Water & Sewer Authority

## OPERATING ACCOUNTS

SCHEDULE 2

### SUMMARY OF OPERATIONS

Year Ended June 30, 2018

	Employment Costs	Repairs & Maintenance	Supplies & Materials	Utilities	Water-Sewer Purchased	Administrative Costs	Depreciation	Total
Water Operations	\$ 2,660,355	\$ 1,022,953	\$ 350,288	\$ 1,138,049	\$ 739,437	\$ 86,841	\$ 7,217,641	\$ 13,215,564
Sewer Operations	3,532,256	664,062	1,048,747	1,430,923	326,044	115,859	8,632,057	15,749,948
Stormwater Operations	631,145	139,594	27,722	9,692	-	72,239	1,775,773	2,656,165
Engineering, Inspection & Constructions Operations	1,176,194	84,680	22,514	20,735	-	23,126	12,951	1,340,200
Administrative Operations	3,897,450	594,080	23,953	215,243	-	1,182,608	329,105	6,242,439
<b>2018 Total</b>	<b>\$ 11,897,400</b>	<b>\$ 2,505,369</b>	<b>\$ 1,473,224</b>	<b>\$ 2,814,642</b>	<b>\$ 1,065,481</b>	<b>\$ 1,480,673</b>	<b>\$ 17,967,528</b>	<b>\$ 39,204,317</b>
<b>2017 Total</b>	<b>\$ 11,553,615</b>	<b>\$ 2,310,636</b>	<b>\$ 1,316,364</b>	<b>\$ 2,902,044</b>	<b>\$ 734,803</b>	<b>\$ 1,524,977</b>	<b>\$ 17,998,936</b>	<b>\$ 38,341,375</b>
<b>Variance</b>	<b>\$ 343,785</b>	<b>\$ 194,733</b>	<b>\$ 156,860</b>	<b>\$ (87,402)</b>	<b>\$ 330,678</b>	<b>\$ (44,304)</b>	<b>\$ (31,408)</b>	<b>\$ 862,942</b>

### COMPARATIVE SCHEDULE OF OPERATING EXPENSES BY BUDGET UNIT

	Employment Costs	Repairs & Maintenance	Supplies & Materials	Utilities	Water-Sewer Purchased	Administrative Costs	Depreciation	Total
<b>WATER OPERATIONS</b>								
Water Plant Operations	\$ 1,094,816	\$ 62,522	\$ 306,691	\$ 1,106,563	\$ 739,437	\$ 53,748	\$ 2,095,023	\$ 5,458,800
Water Plant Maintenance	266,357	107,517	11,944	2,699	-	2,304	78,992	469,813
Water System Maintenance	1,190,706	835,513	29,413	26,021	-	28,768	4,374,683	6,485,104
Reservoir	122,834	17,401	2,240	2,766	-	2,021	668,943	816,205
Capitalized Salaries	(14,358)	-	-	-	-	-	-	(14,358)
<b>2018 Total</b>	<b>\$ 2,660,355</b>	<b>\$ 1,022,953</b>	<b>\$ 350,288</b>	<b>\$ 1,138,049</b>	<b>\$ 739,437</b>	<b>\$ 86,841</b>	<b>\$ 7,217,641</b>	<b>\$ 13,215,564</b>
<b>2017 Total</b>	<b>\$ 2,662,061</b>	<b>\$ 805,248</b>	<b>\$ 394,806</b>	<b>\$ 1,189,262</b>	<b>\$ 431,750</b>	<b>\$ 112,730</b>	<b>\$ 7,230,258</b>	<b>\$ 12,826,115</b>
<b>Variance</b>	<b>\$ (1,706)</b>	<b>\$ 217,705</b>	<b>\$ (44,518)</b>	<b>\$ (51,213)</b>	<b>\$ 307,687</b>	<b>\$ (25,889)</b>	<b>\$ (12,616)</b>	<b>\$ 389,450</b>
<b>SEWER OPERATIONS</b>								
Sewer Plant Operations	\$ 1,582,276	\$ 53,108	\$ 963,170	\$ 661,198	\$ 314,515	\$ 52,372	\$ 3,727,770	\$ 7,354,409
Reuse Facilities Operations	78,687	6,353	14,031	56,482	-	1,166	-	156,719
Sewer Plant Maintenance	841,538	399,716	34,983	701,500	-	49,419	33,854	2,061,010
Sewer System Maintenance	1,047,638	204,885	36,563	11,743	11,529	12,902	4,870,433	6,195,693
Capitalized Salaries	(17,883)	-	-	-	-	-	-	(17,883)
<b>2018 Total</b>	<b>\$ 3,532,256</b>	<b>\$ 664,062</b>	<b>\$ 1,048,747</b>	<b>\$ 1,430,923</b>	<b>\$ 326,044</b>	<b>\$ 115,859</b>	<b>\$ 8,632,057</b>	<b>\$ 15,749,948</b>
<b>2017 Total</b>	<b>\$ 3,527,351</b>	<b>\$ 716,445</b>	<b>\$ 858,105</b>	<b>\$ 1,477,842</b>	<b>\$ 303,053</b>	<b>\$ 122,867</b>	<b>\$ 8,647,146</b>	<b>\$ 15,652,809</b>
<b>Variance</b>	<b>\$ 4,905</b>	<b>\$ (52,383)</b>	<b>\$ 190,642</b>	<b>\$ (46,919)</b>	<b>\$ 22,991</b>	<b>\$ (7,008)</b>	<b>\$ (15,089)</b>	<b>\$ 97,139</b>
<b>STORMWATER OPERATIONS</b>								
Stormwater Operations	\$ 634,495	\$ 139,594	\$ 27,722	\$ 9,692	\$ -	\$ 72,239	\$ 1,775,773	\$ 2,659,515
Capitalized Salaries	(3,350)	-	-	-	-	-	-	(3,350)
<b>2018 Total</b>	<b>\$ 631,145</b>	<b>\$ 139,594</b>	<b>\$ 27,722</b>	<b>\$ 9,692</b>	<b>\$ -</b>	<b>\$ 72,239</b>	<b>\$ 1,775,773</b>	<b>\$ 2,656,165</b>
<b>2017 Total</b>	<b>\$ 681,733</b>	<b>\$ 140,334</b>	<b>\$ 19,424</b>	<b>\$ 9,717</b>	<b>\$ -</b>	<b>\$ 76,058</b>	<b>\$ 1,778,877</b>	<b>\$ 2,706,143</b>
<b>Variance</b>	<b>\$ (50,588)</b>	<b>\$ (740)</b>	<b>\$ 8,298</b>	<b>\$ (25)</b>	<b>\$ -</b>	<b>\$ (3,819)</b>	<b>\$ (3,104)</b>	<b>\$ (49,978)</b>
<b>ENGINEERING, INSPECTION AND CONSTRUCTION OPERATIONS</b>								
Engineering	\$ 898,419	\$ -	\$ 667	\$ 1,202	\$ -	\$ 12,671	\$ 6,823	\$ 919,782
Inspection	648,463	27,580	9,645	10,179	-	5,914	6,128	707,909
Construction	758,429	57,100	12,202	9,354	-	4,541	-	841,626
Capitalized Salaries/Expenses	(1,129,117)	-	-	-	-	-	-	(1,129,117)
<b>2018 Total</b>	<b>\$ 1,176,194</b>	<b>\$ 84,680</b>	<b>\$ 22,514</b>	<b>\$ 20,735</b>	<b>\$ -</b>	<b>\$ 23,126</b>	<b>\$ 12,951</b>	<b>\$ 1,340,200</b>
<b>2017 Total</b>	<b>\$ 1,167,173</b>	<b>\$ 73,922</b>	<b>\$ 30,583</b>	<b>\$ 21,604</b>	<b>\$ -</b>	<b>\$ 27,682</b>	<b>\$ 12,974</b>	<b>\$ 1,333,938</b>
<b>Variance</b>	<b>\$ 9,021</b>	<b>\$ 10,758</b>	<b>\$ (8,069)</b>	<b>\$ (869)</b>	<b>\$ -</b>	<b>\$ (4,556)</b>	<b>\$ (23)</b>	<b>\$ 6,262</b>
<b>ADMINISTRATIVE OPERATIONS</b>								
Billing	\$ 759,432	\$ -	\$ 357	\$ 594	\$ -	\$ 274,816	\$ -	\$ 1,035,199
Meter Reading	841,463	78,800	14,239	10,841	-	16,079	21,282	982,704
Human Res. / General Services	898,433	200,964	8,204	166,113	-	502,827	220,665	1,997,206
Executive Administration	444,269	8,466	-	1,800	-	176,522	-	631,057
Finance & Accounting	398,599	-	295	600	-	69,122	-	468,616
MIS	601,895	305,850	858	35,295	-	143,242	87,159	1,174,299
Capitalized Salaries	(46,641)	-	-	-	-	-	-	(46,641)
<b>2018 Total</b>	<b>\$ 3,897,450</b>	<b>\$ 594,080</b>	<b>\$ 23,953</b>	<b>\$ 215,243</b>	<b>\$ -</b>	<b>\$ 1,182,608</b>	<b>\$ 329,105</b>	<b>\$ 6,242,439</b>
<b>2017 Total</b>	<b>\$ 3,515,297</b>	<b>\$ 574,687</b>	<b>\$ 13,446</b>	<b>\$ 203,619</b>	<b>\$ -</b>	<b>\$ 1,185,640</b>	<b>\$ 329,681</b>	<b>\$ 5,822,370</b>
<b>Variance</b>	<b>\$ 382,153</b>	<b>\$ 19,393</b>	<b>\$ 10,507</b>	<b>\$ 11,624</b>	<b>\$ -</b>	<b>\$ (3,032)</b>	<b>\$ (576)</b>	<b>\$ 420,069</b>

# Douglasville-Douglas County Water & Sewer Authority

## OPERATING ACCOUNTS

SCHEDULE 3

### SUMMARY OF RESTRICTED ASSETS AND RELATED PAYABLES

June 30, 2018

			Other	Total All Restricted Accounts
	Renewal and Extension Account	Debt Service Accounts	Deposit & Operating Accounts	
<b>Restricted Cash and Investments:</b>				
<b>Cash &amp; Cash Equivalents:</b>				
Checking - R & E Account	\$ 5,921,637	\$ -	\$ -	\$ 5,921,637
Meter Deposits Accounts	-	-	3,078,606	3,078,606
	<u>5,921,637</u>	<u>-</u>	<u>3,078,606</u>	<u>9,000,243</u>
<b>Investments:</b>				
LGIP (Georgia Fund 1)	-	993,606	-	993,606
<b>Restricted Receivables</b>	154,584	-	-	154,584
<b>Total Restricted Assets</b>	<u>\$ 6,076,221</u>	<u>\$ 993,606</u>	<u>\$ 3,078,606</u>	<u>\$ 10,148,433</u>
<b>Liabilities from Restricted Assets:</b>				
<b>Accounts Payable</b>	\$ 427,668	\$ -	\$ -	\$ 427,668
<b>Customer Deposits:</b>				
Deposit Refunds	-	-	2,464,847	2,464,847
Unclaimed Refunds	-	-	18,180	18,180
Performance Deposits	1,023,485	-	-	1,023,485
Customer Credit Balances	-	-	227,524	227,524
<b>Accrued Interest Revenue Bonds</b>	-	351,656	-	351,656
<b>Unearned Revenue</b>	-	-	1,217,978	1,217,978
<b>Total Liabilities From Rest. Accounts</b>	<u>\$ 1,451,153</u>	<u>\$ 351,656</u>	<u>\$ 3,928,529</u>	<u>\$ 5,731,338</u>
<b>Net Restricted Assets</b>	<u>\$ 4,625,068</u>	<u>\$ 641,950</u>	<u>\$ (849,923)</u>	<u>\$ 4,417,095</u>

# Douglasville-Douglas County Water & Sewer Authority

## OPERATING ACCOUNTS

SCHEDULE 4

### RESTRICTED OPERATING AND CUSTOMER DEPOSIT ACCOUNTS COMPARATIVE SCHEDULE OF RESTRICTED ASSETS AND RELATED PAYABLES

Restricted Assets	2018	2017	Increase (Decrease)
<b>Cash &amp; Cash Equivalents:</b>			
Checking - Deposit Account	\$ 3,078,606	\$ 2,951,925	\$ 126,681
<b>Total Restricted Assets</b>	<u>\$ 3,078,606</u>	<u>\$ 2,951,925</u>	<u>\$ 126,681</u>
<b>Payables from Restricted Assets</b>			
Customers Deposits:			
Customer Deposits (Refundable)	\$ 2,464,847	\$ 2,433,036	\$ 31,811
Unclaimed Refunds	18,180	35,236	(17,056)
Customer Credit Balances	227,524	208,244	19,280
Unearned Revenue	1,217,978	1,354,016	(136,038)
<b>Total Payables from Restricted Assets</b>	<u>\$ 3,928,529</u>	<u>\$ 4,030,532</u>	<u>\$ (102,003)</u>
<b>Net Restricted Assets</b>	<u>\$ (849,923)</u>	<u>\$ (1,078,607)</u>	<u>\$ 228,684</u>

# Douglasville-Douglas County Water & Sewer Authority

SCHEDULE 5

## RENEWAL AND EXTENSION ACCOUNTS

A Renewal and Extension account is maintained in order to assure that funds are available for plant renewal and replacement. When the amount in the account is:

- I. Greater than \$100,000 - payments are restricted to the following uses:
  - a) Paying bond principal and interest falling due at any time when money is not available in the Debt Service Account.
  - b) An emergency having a major effect upon the water and sewerage system, caused by an extraordinary occurrence, and provided the Revenue Fund has insufficient money to meet the emergency.
  - c) Making replacements, additions, extensions, and improvements deemed reasonable and necessary and in the best interest of the System.
- II. Less than \$100,000 - payments are restricted to the following uses:
  - a) Paying bond principal and interest falling due at any time when money is not available in the Debt Service Account.
  - b) An emergency having a major effect upon the water and sewerage system, caused by an extraordinary occurrence, and provided the Revenue Fund has insufficient money to meet the emergency.

### COMPARATIVE SCHEDULE OF ASSETS AND RELATED PAYABLES

Year Ended June 30,

	2018	2017	Increase (Decrease)
<b>Restricted Assets</b>			
<b>Cash &amp; Cash Equivalents:</b>			
Checking	\$ 4,790,279	\$ 20,929,062	\$ (16,138,783)
Retainage Checking	1,131,358	1,042,306	89,052
<b>Total Restricted Cash</b>	<b>5,921,637</b>	<b>21,971,368</b>	<b>(16,049,731)</b>
<b>Restricted Receivables</b>	154,584	151,864	2,720
<b>Total Restricted Assets</b>	<b>\$ 6,076,221</b>	<b>\$ 22,123,232</b>	<b>\$ (16,047,011)</b>
<b>Payables from Restricted Assets</b>			
A/P Trade	\$ 179,145	\$ 210,752	\$ (31,607)
Accrued A/P Trade	97,185	-	97,185
A/P Retainage Due Contractors	151,338	42,719	108,619
Performance Deposit	1,023,485	774,475	249,010
<b>Total Payables From Restricted Assets</b>	<b>\$ 1,451,153</b>	<b>\$ 1,027,946</b>	<b>\$ 423,207</b>
<b>Net Restricted Assets</b>	<b>\$ 4,625,068</b>	<b>\$ 21,095,286</b>	<b>\$ (16,470,218)</b>



# Douglasville-Douglas County Water & Sewer Authority

SCHEDULE 6

## DEBT SERVICE ACCOUNTS

The various bond resolutions require the creation of accounts designated as Water and Sewerage System Sinking Funds, for the purpose of receiving and disbursing funds for principal and interest on the bonds and for maintaining designated reserves.

The resolutions require monthly transfers into these accounts which are sufficient to pay the principal of and interest on the bonds as each mature in each current year.

Disbursements made from the Sinking Fund account are restricted to payment for:

- a) Interest
- b) Principal at maturity
- c) Redemption prior to maturity
- d) Paying agent fees

Funds may be invested in securities which are direct and general obligations of the United States or are guaranteed by the United States as to both principal and interest and which are 100% insured or collateralized by United States direct and general obligations.

### COMPARATIVE SCHEDULE OF RESTRICTED ASSETS AND RELATED PAYABLES

<b>Debt Service Sinking Fund</b>	2018	2017	Increase (Decrease)
<b><u>Restricted Assets</u></b>			
Investments - LGIP (Georgia Fund 1) see below (1)	\$ 993,606	\$ 956,783	\$ 36,823
<b>Total Restricted Assets- Debt Service Accounts</b>	<u>\$ 993,606</u>	<u>\$ 956,783</u>	<u>\$ 36,823</u>
<b><u>Payables From Restricted Assets</u></b>			
Accrued Interest On Revenue Bonds	351,656	373,132	(21,476)
<b>Total Payables From Restricted Assets</b>	<u>\$ 351,656</u>	<u>\$ 373,132</u>	<u>\$ (21,476)</u>
<b>Net Position Reserved for Debt Service</b>	<u>\$ 641,950</u>	<u>\$ 583,651</u>	<u>\$ 58,299</u>

**Notes:**

(1) All bonds issued (1993 through 2015) rank on a parity with each other and have first lien on the net revenues of the Authority.

**At June 30, 2018 the Authority has the following investments:**

Series	Type of Marketable Security	Maturity Date (*)	Yield (*)	Cost Basis	Market Value
2009	Investment LGIP (Georgia Fund 1)	10 Days	1.86%	\$ 336,451	\$ 336,451
2013	Investment LGIP (Georgia Fund 1)	10 Days	1.86%	239,039	239,039
2015	Investment LGIP (Georgia Fund 1)	10 Days	1.86%	418,116	418,116
				<u>\$ 993,606</u>	<u>\$ 993,606</u>

**Notes:** (1) LGIP (Local Government Investment Pool) stability constant Net Asset Value \$1.00; average maturity date 10 days and Interest Yield as of 6/30/2018 at 1.86%.

# Douglasville-Douglas County Water & Sewer Authority

SCHEDULE 7

## DEBT SERVICE ACCOUNTS

### COMPARATIVE SCHEDULE OF CHANGES IN RESTRICTED ASSETS

	2018	2017
<b>Beginning Balance</b>	<b>\$ 956,783</b>	<b>\$ 950,281</b>
<b>Increase:</b>		
Interest Earned	39,743	25,122
Transfer from Operating Account	11,172,589	11,161,627
<b>Total Increase</b>	<b>\$ 11,212,332</b>	<b>\$ 11,186,749</b>
<b>Decrease:</b>		
Bank Service Charges	\$ 2,920	\$ 3,012
Revenue Bond Interest	4,477,589	4,687,235
Revenue Bond Principal	6,695,000	6,490,000
<b>Total Decrease</b>	<b>\$ 11,175,509</b>	<b>\$ 11,180,247</b>
<b>Ending Balance</b>	<b>\$ 993,606</b>	<b>\$ 956,783</b>

### SCHEDULE OF REVENUE BONDS PAYABLE & OTHER LOANS

Douglasville-Douglas County Water & Sewer Authority Series Bonds	Average Coupon Rate	Issue Date	Maturity Date	Annual Principal Payment		Amounts			
				Maximum	Minimum	Authorized	Issued	Reductions	Outstanding
2009 Water and Sewer Revenue Bonds	4.426%	2009	2023	\$ 3,630,000	\$ 2,750,000	\$ 26,720,000	\$ 26,720,000	\$ 10,205,000	\$ 16,515,000
2013 Water and Sewer Revenue Bonds	2.800%	2013	2030	6,450,000	1,265,000	53,180,000	53,180,000	4,480,000	48,700,000
2015 Water and Sewer Revenue Bonds	3.100%	2015	2030	4,570,000	2,475,000	73,420,000	73,420,000	6,665,000	66,755,000
<b>Total Revenue Bonds</b>				<b>\$ 14,650,000</b>	<b>\$ 6,490,000</b>	<b>\$ 153,320,000</b>	<b>\$ 153,320,000</b>	<b>\$ 21,350,000</b>	<b>\$ 131,970,000</b>
<b>Total Debt</b>				<b>\$ 14,650,000</b>	<b>\$ 6,490,000</b>	<b>\$ 153,320,000</b>	<b>\$ 153,320,000</b>	<b>\$ 21,350,000</b>	<b>\$ 131,970,000</b>

**NOTES:** Bonds: 2009 Bonds issued for defeasance of 1998 Bonds.  
 2013 Bonds issued for partial defeasance of 2005 Bonds, non defeasance portion matured on 12/1/2015.  
 2015 Bonds issued for defeasance of 2007 Bonds. 2015 Series B mandatory redemption date June 1, 2030. Maximum annual principal payments for 2015 Series B were determined using bond face maturities as allowed by bond covenants.

**STATISTICAL**

**SECTION**

**(unaudited)**

# Douglasville-Douglas County Water and Sewer Authority

## STATISTICAL SECTION

This part of the Douglasville-Douglas County Water and Sewer Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

<b>CONTENTS</b>	<b>Table</b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the Authority's financial performance has changed over time.	<b>1 - 2</b>
<b>Revenue Capacity</b> These schedules contain trend information to help the reader assess the Authority's most significant local revenue source.	<b>3 - 5</b>
<b>Debt Service and Debt Capacity</b> These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.	<b>6 - 9</b>
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.	<b>10 - 11</b>
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.	<b>12 - 15</b>

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

# Douglasville-Douglas County Water and Sewer Authority

## Financial Trends

TABLE 1

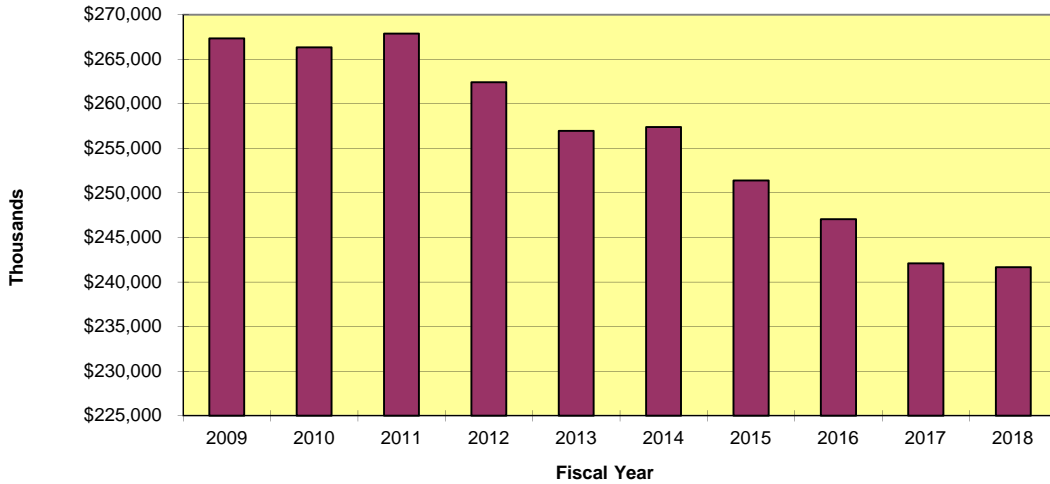
### Net Position by Component

Last Ten Fiscal Years

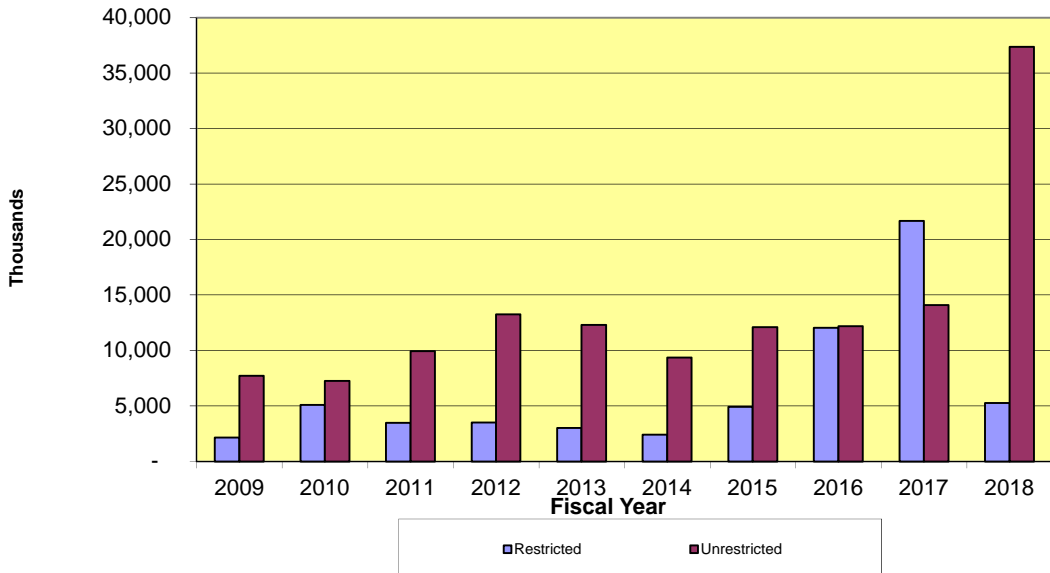
(amount expressed in thousands)

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Enterprise Fund										
Net Invested in capital assets	\$ 267,324	\$ 266,325	\$ 267,838	\$ 262,407	\$ 256,938	\$ 257,377	\$ 251,395	\$ 247,045	\$ 242,075	\$ 241,658
Restricted	2,148	5,092	3,486	3,501	3,001	2,405	4,905	12,040	21,679	5,266
Unrestricted	7,707	7,268	9,935	13,248	12,287	9,365	12,110	12,184	14,076	37,361
Total business-type activities net position	\$ 277,179	\$ 278,685	\$ 281,259	\$ 279,156	\$ 272,226	\$ 269,147	\$ 268,410	\$ 271,269	\$ 277,830	\$ 284,285

### Net Investment in Capital Assets



### Restricted and Unrestricted



# Douglasville-Douglas County Water and Sewer Authority

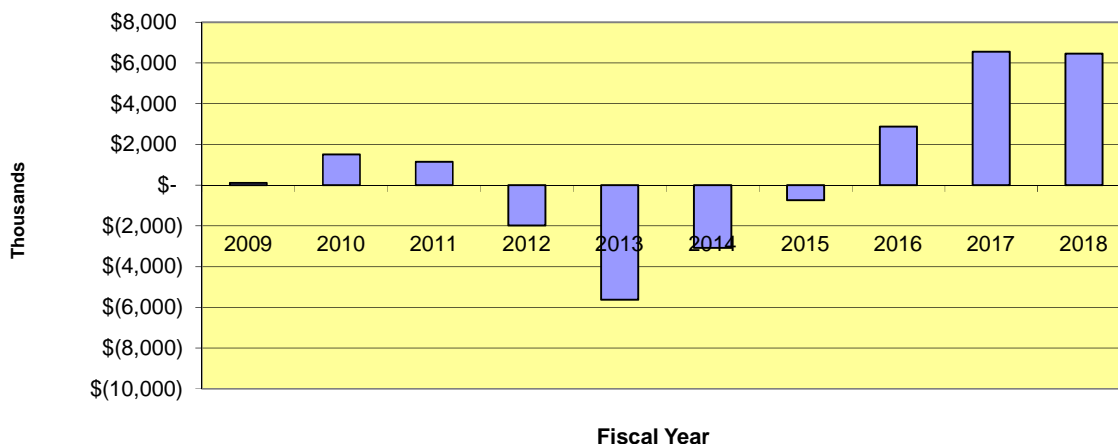
## Financial Trends

TABLE 2

### Changes in Net Position Last Ten Fiscal Years (amount expressed in thousands)

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Operating Revenues</b>										
Charges for services	\$ 33,284	\$ 35,220	\$ 36,596	\$ 36,765	\$ 37,112	\$ 38,831	\$ 40,853	\$ 43,113	\$ 45,697	\$ 46,088
Penalties	1,101	1,103	924	1,054	1,070	1,206	1,180	1,079	1,096	1,291
Charges to bad debt allowance	(417)	(478)	(442)	(390)	(340)	(340)	(340)	(411)	(220)	(478)
<b>Total operating revenues</b>	<b>33,968</b>	<b>35,845</b>	<b>37,078</b>	<b>37,429</b>	<b>37,842</b>	<b>39,697</b>	<b>41,693</b>	<b>43,781</b>	<b>46,573</b>	<b>46,901</b>
<b>Operating Expenses</b>										
Employment costs	\$ 11,028	\$ 11,837	\$ 10,931	\$ 10,460	\$ 10,993	\$ 11,449	\$ 10,437	\$ 10,948	\$ 11,554	\$ 11,897
Repairs and maintenance	2,013	2,894	2,075	2,069	2,468	2,091	2,271	2,377	2,311	2,505
Supplies and materials	790	952	901	914	972	1,029	1,115	1,146	1,316	1,473
Depreciation	13,856	14,759	15,069	16,702	18,227	18,321	18,579	18,614	17,999	17,968
Utilities	2,779	2,960	2,892	3,070	3,172	3,257	3,256	2,985	2,902	2,815
Water and sewer services purchased	22	426	429	511	761	595	300	322	735	1,065
Administration	1,904	1,423	1,491	1,666	1,764	1,820	1,788	1,911	1,525	1,481
<b>Total operating expenses</b>	<b>32,392</b>	<b>35,251</b>	<b>33,788</b>	<b>35,392</b>	<b>38,357</b>	<b>38,562</b>	<b>37,746</b>	<b>38,303</b>	<b>38,342</b>	<b>39,204</b>
<b>Non-Operating Revenue (expenses)</b>										
Investment income	1,029	238	169	115	127	102	100	171	265	320
Interest expense	(6,523)	(7,469)	(6,263)	(7,457)	(7,319)	(6,339)	(5,868)	(5,135)	(5,132)	(4,900)
Other non-operating revenue (expense)	(645)	(105)	(2,581)	(870)	(528)	(356)	(1,158)	(973)	19	124
<b>Net non-operating revenue</b>	<b>(6,139)</b>	<b>(7,336)</b>	<b>(8,675)</b>	<b>(8,212)</b>	<b>(7,720)</b>	<b>(6,593)</b>	<b>(6,926)</b>	<b>(5,937)</b>	<b>(4,848)</b>	<b>(4,456)</b>
Change in net position before capital contributions and restatement	(4,563)	(6,742)	(5,385)	(6,175)	(8,235)	(5,458)	(2,979)	(459)	3,383	3,241
Capital contributions	4,674	8,249	6,534	4,188	2,615	2,379	4,290	3,318	3,164	3,214
Restatement	-	-	-	-	-	-	(2,049)	13	-	-
<b>Increase (decrease) in net position</b>	<b>\$ 111</b>	<b>\$ 1,507</b>	<b>\$ 1,149</b>	<b>\$ (1,987)</b>	<b>\$ (5,620)</b>	<b>\$ (3,079)</b>	<b>\$ (738)</b>	<b>\$ 2,872</b>	<b>\$ 6,547</b>	<b>\$ 6,455</b>

### Increase (Decrease) in Net Position



# Douglasville-Douglas County Water and Sewer Authority

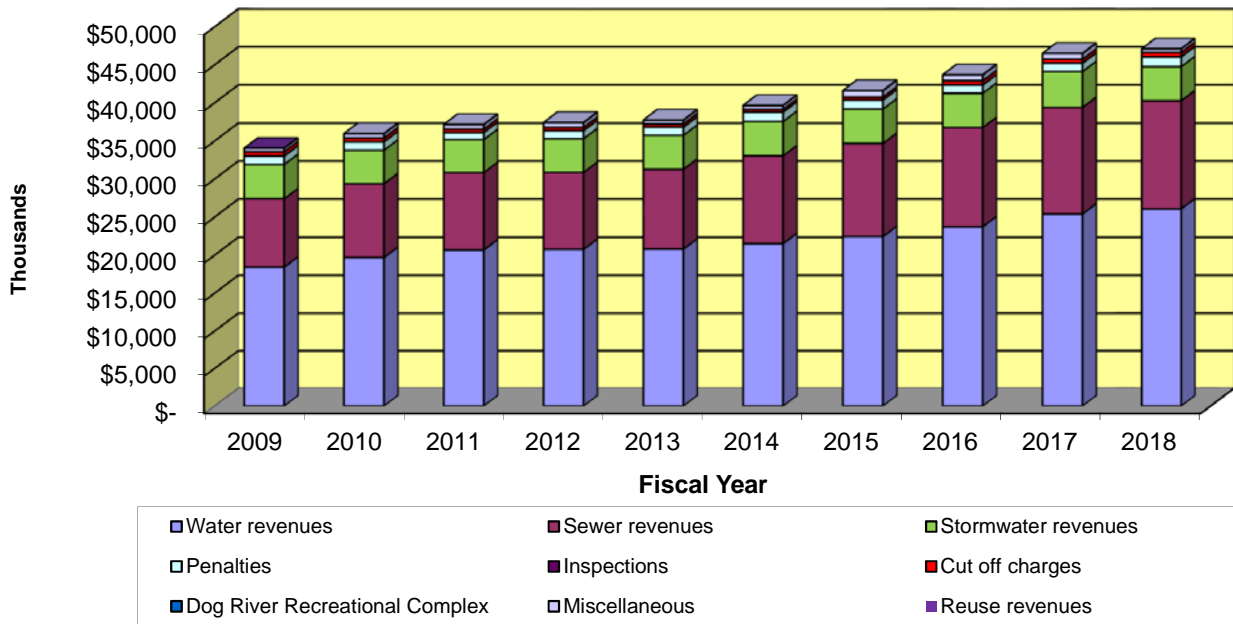
## Revenue Capacity

TABLE 3

### Operating Revenue By Source Last Ten Fiscal Years *(amount expressed in thousands)*

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Operating Revenues</b>										
Water revenues	\$ 18,453	\$ 19,721	\$ 20,707	\$ 20,796	\$ 20,823	\$ 21,552	\$ 22,469	\$ 23,770	\$ 25,422	\$ 26,097
Sewer revenues	8,973	9,685	10,164	10,102	10,483	11,534	12,235	13,021	14,006	14,207
Stormwater revenues	4,513	4,408	4,340	4,431	4,462	4,505	4,501	4,493	4,712	4,476
Reuse revenues	321	334	337	380	422	355	399	492	270	257
Penalties	1,101	1,103	924	1,054	1,070	1,206	1,180	1,079	1,096	1,291
Inspections	10	11	5	8	16	16	19	25	34	31
Cut off charges	567	496	422	409	401	345	363	532	489	534
Dog River Recreational Complex	-	17	26	20	19	20	20	19	15	16
Miscellaneous	447	548	595	619	486	504	848	761	749	470
<b>Total operating revenues</b>	<b>\$ 34,385</b>	<b>\$ 36,323</b>	<b>\$ 37,520</b>	<b>\$ 37,819</b>	<b>\$ 38,182</b>	<b>\$ 40,037</b>	<b>\$ 42,034</b>	<b>\$ 44,192</b>	<b>\$ 46,793</b>	<b>\$ 47,379</b>
Bad debt expense	417	478	442	390	340	340	341	411	220	478
<b>Net operating revenue</b>	<b>\$ 33,968</b>	<b>\$ 35,845</b>	<b>\$ 37,078</b>	<b>\$ 37,429</b>	<b>\$ 37,842</b>	<b>\$ 39,697</b>	<b>\$ 41,693</b>	<b>\$ 43,781</b>	<b>\$ 46,573</b>	<b>\$ 46,901</b>

### Operating Revenue by Source



# Douglasville-Douglas County Water and Sewer Authority

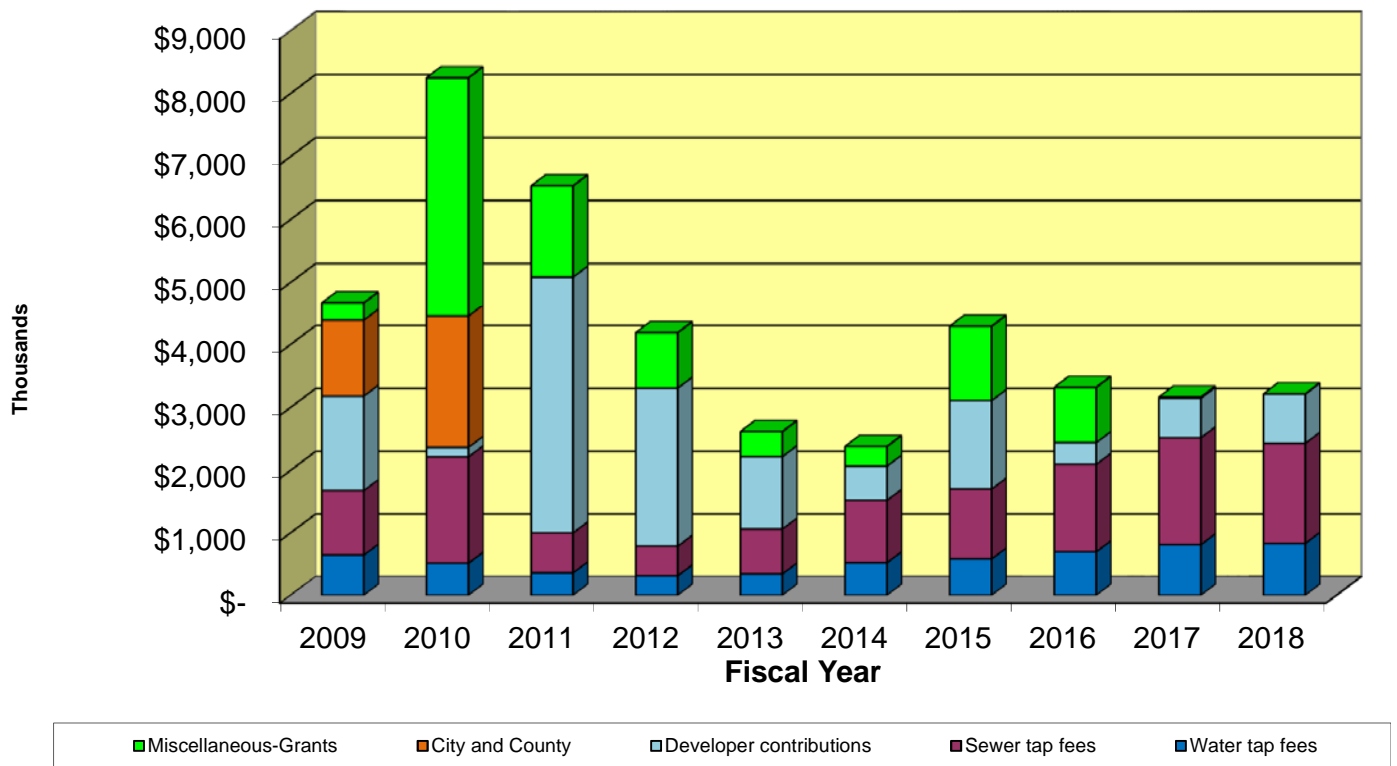
## Revenue Capacity

TABLE 4

**Capital Contributions By Source**  
**Last Ten Fiscal Years**  
*(amount expressed in thousands)*

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Capital Contributions										
Water tap fees	\$ 646	\$ 515	\$ 360	\$ 313	\$ 342	\$ 523	\$ 583	\$ 699	\$ 812	\$ 832
Sewer tap fees	1,034	1,700	641	475	720	1,001	1,121	1,397	1,707	1,598
Developer contributions	1,501	150	4,085	2,518	1,156	543	1,406	345	628	782
City and County	1,208	2,089	-	-	-	-	-	-	-	-
Miscellaneous-Grants	285	3,795	1,448	882	397	312	1,180	877	17	2
<b>Total capital contributions</b>	<b>\$ 4,674</b>	<b>\$ 8,249</b>	<b>\$ 6,534</b>	<b>\$ 4,188</b>	<b>\$ 2,615</b>	<b>\$ 2,379</b>	<b>\$ 4,290</b>	<b>\$ 3,318</b>	<b>\$ 3,164</b>	<b>\$ 3,214</b>

**Capital Contributions by Source**





# Douglasville-Douglas County Water and Sewer Authority

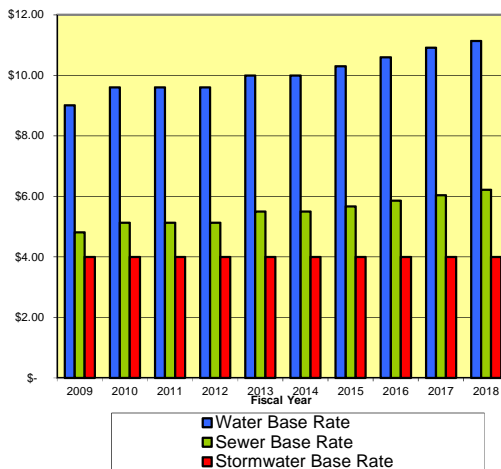
## Revenue Capacity

TABLE 5

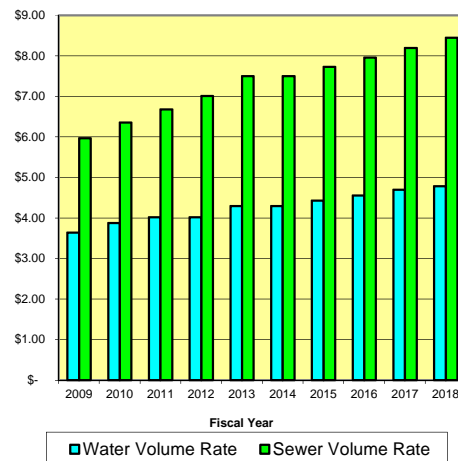
### Water, Sewer and Stormwater Rates Last Ten Fiscal Years

Fiscal Year	Water		Sewer		Stormwater
	Monthly Base Rate (3)	Rate per 1,000 Gallons	Monthly Base Rate	Rate per 1,000 Gallons (2)	Monthly Base Rate
2009	\$ 9.01	\$ 3.64 <sup>(1)</sup>	\$ 4.81	\$ 5.97	\$ 4.00
2010	\$ 9.60	\$ 3.88 <sup>(1)</sup>	\$ 5.13	\$ 6.36	\$ 4.00
2011	\$ 9.60	\$ 4.02 <sup>(1)</sup>	\$ 5.13	\$ 6.68	\$ 4.00
2012	\$ 9.60	\$ 4.02 <sup>(1)</sup>	\$ 5.13	\$ 7.01	\$ 4.00
2013	\$ 10.00	\$ 4.30 <sup>(1)</sup>	\$ 5.50	\$ 7.50	\$ 4.00
2014	\$ 10.00	\$ 4.30 <sup>(1)</sup>	\$ 5.50	\$ 7.50	\$ 4.00
2015	\$ 10.30	\$ 4.43 <sup>(1)</sup>	\$ 5.67	\$ 7.73	\$ 4.00
2016	\$ 10.60	\$ 4.56 <sup>(1)</sup>	\$ 5.86	\$ 7.96	\$ 4.00
2017	\$ 10.92	\$ 4.70 <sup>(1)</sup>	\$ 6.04	\$ 8.20	\$ 4.00
2018	\$ 11.14	\$ 4.79 <sup>(1)</sup>	\$ 6.22	\$ 8.45	\$ 4.00

Base Rate History



Volume Rate History



**Notes:**

<sup>(1)</sup> In 2008 the Authority implemented a 3-tier water rate structure with Tier I (0-6,000 gallons), Tier II (6001-9,000 gallons), and Tier III (9,001 gallons & up) billing rates on residential customers. In 2014 the tiers were adjusted with Tier I (0-5,000), Tier II (5,001-8,000 gallons) and tier III (8,001 & up) rates as in the table below. Also in 2014 sewer rates were adopted with a 2-tier system with Tier I (0-5,000 gallons water consumption) and Tier II (5,001 & up) rates. The tier rates since inception in 2008 are as follows:

	WATER			SEWER	
	Tier I	Tier II	Tier III	Tier I	Tier II + III
2009	\$ 3.64	\$ 4.56	\$ 7.29		
2010	\$ 3.88	\$ 4.86	\$ 7.77		
2011	\$ 4.02	\$ 5.04	\$ 8.05		
2012	\$ 4.02	\$ 5.04	\$ 8.05		
2013	\$ 4.30	\$ 5.38	\$ 8.60		
2014	\$ 4.30	\$ 5.38	\$ 8.60	\$ 8.60	\$ 8.60
2015	\$ 4.43	\$ 5.54	\$ 8.86	\$ 7.73	\$ 9.30
2016	\$ 4.56	\$ 5.70	\$ 9.12	\$ 7.96	\$ 9.30
2017	\$ 4.70	\$ 5.88	\$ 9.40	\$ 8.20	\$ 9.58
2018	\$ 4.79	\$ 5.99	\$ 9.58	\$ 8.45	\$ 9.87

(2) Sewer volume is calculated at 80% of water volume

(3) Rates are based on 5/8" meter, which is the standard household meter size.

# Douglasville-Douglas County Water and Sewer Authority

## Debt Service and Capacity

TABLE 6

### Ratio of Revenue Bonded Debt Outstanding

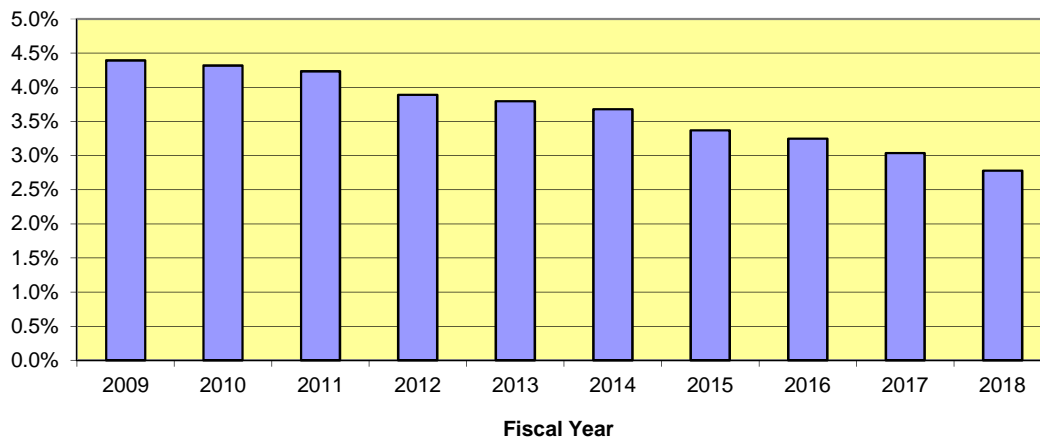
#### Last Ten Fiscal Years

(amount expressed in thousands except per capita amounts)

<u>Fiscal Year</u>	<u>Revenue Bonds (1)</u>	<u>Less Debt Service Fund</u>	<u>Total</u>	<u>Per Capita (2)</u>	<u>Percentage Of Personal Income (2)</u>
2009	\$ 168,830	\$ (760)	\$ 168,070	1,298	4.4%
2010	165,105	(712)	164,393	1,252	4.3%
2011	160,845	(329)	160,516	1,210	4.2%
2012	156,380	(363)	156,017	1,171	3.9%
2013	155,582	(395)	155,187	1,158	3.8%
2014	154,910	(459)	154,451	1,133	3.7%
2015	149,055	(484)	148,571	1,071	3.4%
2016	145,814	(560)	145,254	1,032	3.2%
2017	139,165	(584)	138,581	974	3.0%
2018	132,326	(642)	131,684	915	2.8% (3)

(1) Bond total net of premiums/discounts excluding accrued interest. (2) See the Schedule of Demographic and Economic Statistics for personal income and population data. (3) Based on Previous Year Demographic Data - current year unavailable.

### Percentage of Debt to Personal Income



# Douglasville-Douglas County Water and Sewer Authority

## Debt Service and Capacity

TABLE 7

### Ratio of Outstanding Debt By Type

Last Ten Fiscal Years

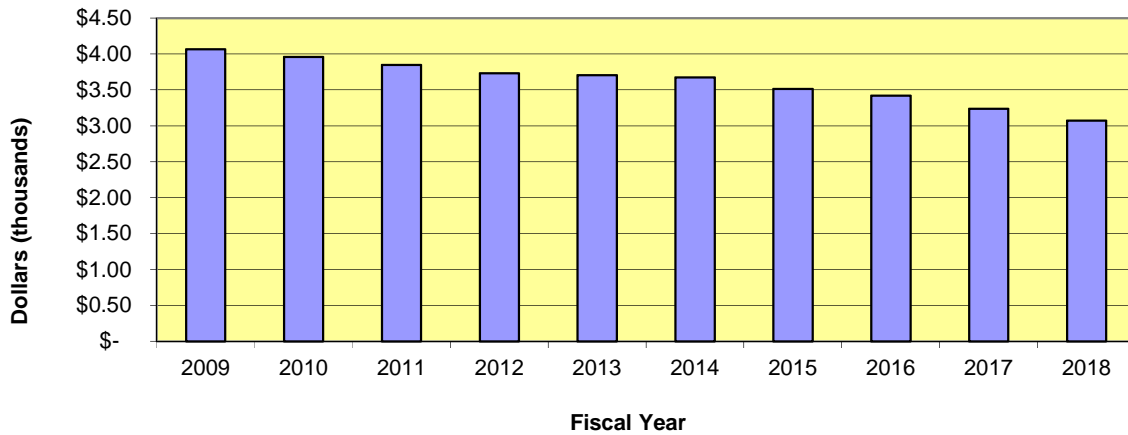
(amount expressed in thousands except per capita amounts)

Fiscal Year	Revenue Bonds	Loans Notes	Total Outstanding Debt	Debt To Number of Customers	Debt Per Capita*	Debt As Share Of Personal Income
2009	\$ 168,830	\$ 491	\$ 169,321	\$ 4.07	\$ 1,307	4.4%
2010	165,105	202	165,307	3.96	1,259	4.3%
2011	160,845	92	160,937	3.85	1,213	4.2%
2012	156,380	67	156,447	3.73	1,175	3.9%
2013	155,582	17	155,599	3.71	1,162	3.8%
2014	154,910	-	154,910	3.67	1,136	3.7%
2015	149,055	-	149,055	3.51	1,074	3.4%
2016	145,814	-	145,814	3.42	1,036	3.3%
2017	139,165	-	139,165	3.24	978	3.0%
2018	132,132	-	132,132	3.07	918	2.8%

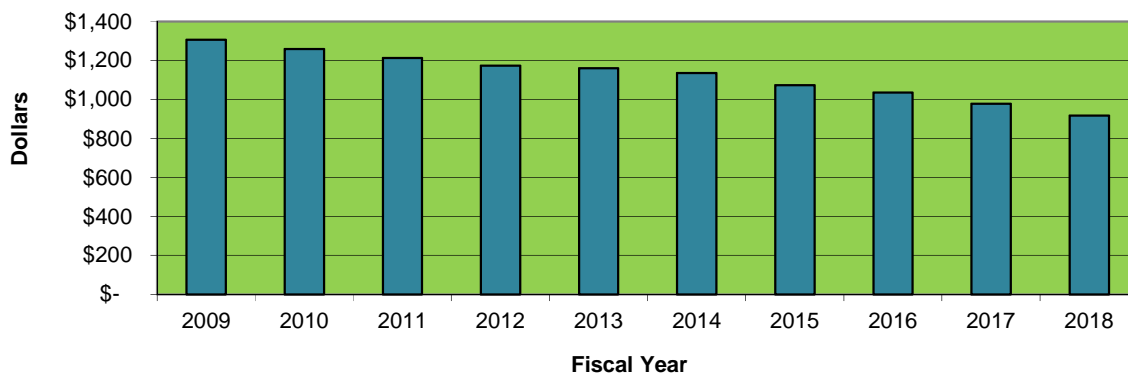
\* Note: Based on Previous Year Demographic Data - current year unavailable.

Sources: Bureau of Economic Analysis

### Debt to Number of Customers



### Debt Per Capita



# Douglasville-Douglas County Water and Sewer Authority

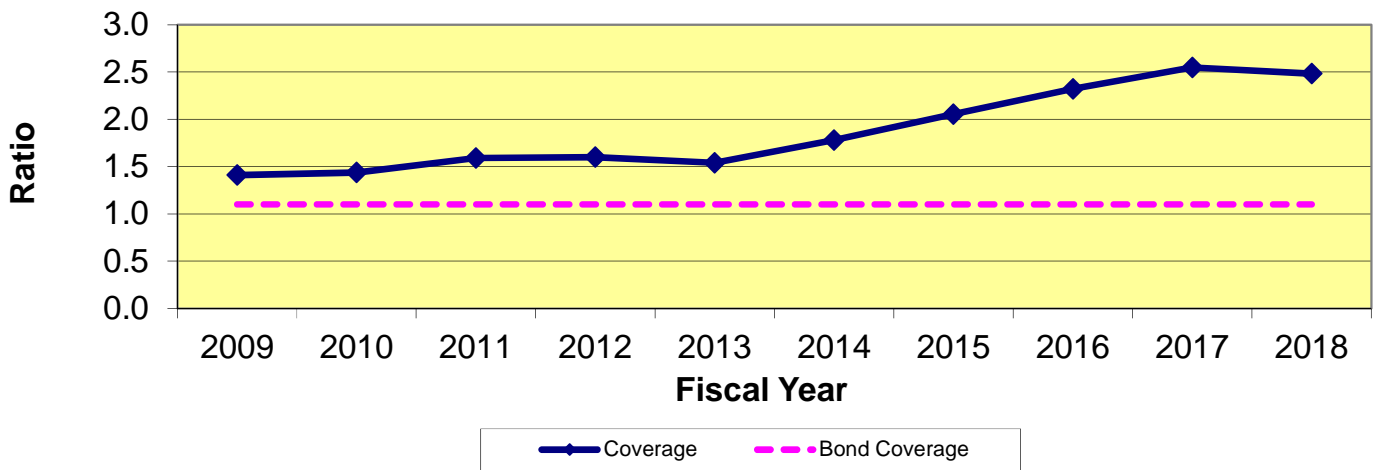
## Debt Service and Capacity

TABLE 8

### Pledged Revenue Coverage Last Ten Fiscal Years (amount expressed in thousands)

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Gross Revenues Service Charges	\$ 33,968	\$ 35,845	\$ 37,078	\$ 37,429	\$ 37,842	\$ 39,697	\$ 41,693	\$ 43,781	\$ 46,573	\$ 46,901
Total Interest Income	1,029	238	169	115	127	102	100	171	265	320
Tap Fees Connection Charges	1,680	2,215	1,001	788	1,062	1,524	1,704	2,096	2,519	2,430
Gross Total Revenues	36,677	38,298	38,248	38,332	39,031	41,323	43,497	46,048	49,357	49,651
Less Operating Expenses Excluding Depreciation	18,536	20,492	18,720	18,689	20,130	20,241	19,167	19,689	20,343	21,236
Less Deferred Interest Income and Revenue	82	82	19	18	16	9	8	-	-	-
Less Interest Income in the Construction Account	776	113	34	7	8	5	-	-	-	-
Net Earnings Available	\$ 17,283	\$ 17,611	\$ 19,475	\$ 19,618	\$ 18,877	\$ 21,068	\$ 24,322	\$ 26,359	\$ 29,014	\$ 28,415
<b>Maximum Annual Debt Service<sup>1</sup></b>										
Principal	\$ 7,015	\$ 9,300	\$ 9,300	\$ 9,300	\$ 9,300	\$ 8,380	\$ 8,380	\$ 8,535	\$ 6,695	\$ 6,960
Interest	5,239	2,951	2,951	2,951	2,951	3,456	3,456	2,813	4,687	4,478
<b>Total Maximum Annual Debt Service<sup>1</sup></b>	\$ 12,254	\$ 12,251	\$ 12,251	\$ 12,251	\$ 12,251	\$ 11,836	\$ 11,836	\$ 11,348	\$ 11,382	\$ 11,438
Coverage Ratio	1.4	1.4	1.6	1.6	1.5	1.8	2.1	2.3	2.5	2.5

## Bond Coverage



Note 1 - Maximum annual debt service is based on 2015 Series B bond face maturities excluding the mandatory redemption date at June 30, 2030 as allowed by bond covenants.

# Douglasville-Douglas County Water and Sewer Authority

## Debt Service and Capacity

TABLE 9

### Legal Debt Margin Information

Last Ten Fiscal Years

(amount expressed in thousands)

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net Earnings Available (Table 8)	\$ 17,283	\$ 17,611	\$ 19,475	\$ 19,618	\$ 18,877	\$ 21,068	\$ 24,322	\$ 26,359	\$ 29,014	\$ 28,415
Legal Debt Service Limit	15,712	16,010	17,705	17,835	15,731	17,557	20,268	21,966	24,178	23,679
Total MAD debt applicable to limit	<u>12,254</u>	<u>12,251</u>	<u>12,251</u>	<u>12,251</u>	<u>12,251</u>	<u>11,836</u>	<u>11,836</u>	<u>11,348</u>	<u>11,382</u>	<u>11,438</u>
Legal MAD debt margin	\$ 3,458	\$ 3,759	\$ 5,454	\$ 5,584	\$ 3,480	\$ 5,721	\$ 8,432	\$ 10,618	\$ 12,796	\$ 12,241
Total MAD debt applicable to the limit as a percentage of debt limit	78.0%	76.5%	69.2%	68.7%	77.9%	67.4%	58.4%	51.7%	47.1%	48.3%

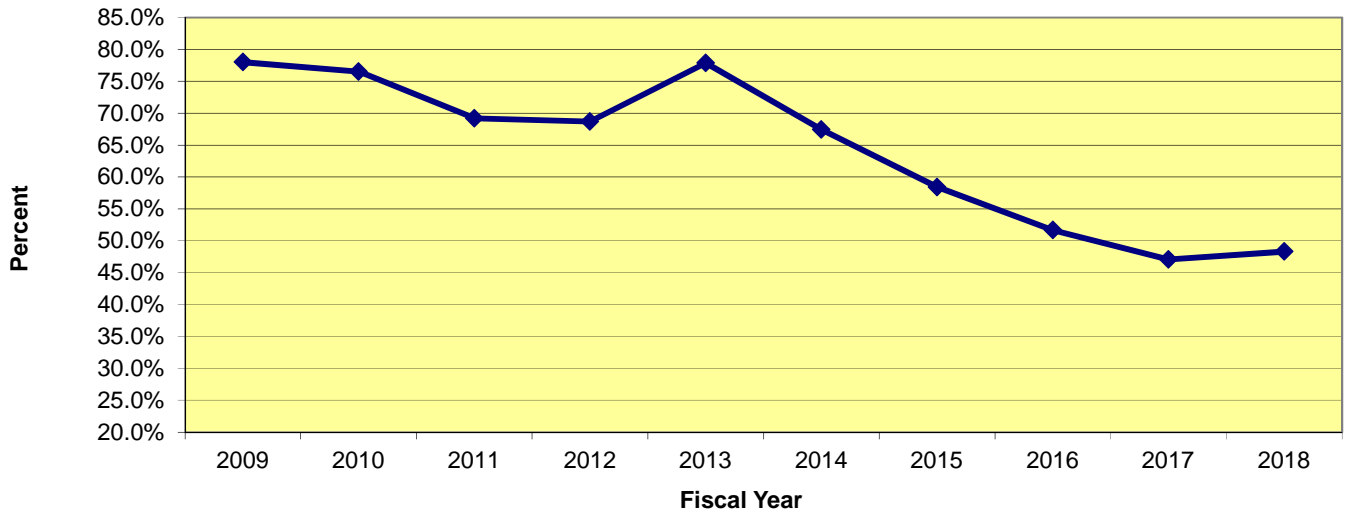
Notes:

MAD - Maximum Annual Debt Service (largest debt service payment during life of bond issue; uses face maturity amounts for 2015 Series B, excluding mandatory redemption date as allowed by bond covenants).

\*Debt limit is calculated based upon bond covenants requiring a ratio of 1.10 x maximum annual debt service.

\*\*New Debt limit (2013 and later) is calculated based upon bond covenants requiring a ratio of 1.20 x maximum annual debt service.

### MAD Debt applicable to Limit as Percent of Limit



# Douglasville-Douglas County Water and Sewer Authority

## Demographic and Economic Information

TABLE 10

### Douglas County Demographic and Economic Statistics Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (1) <i>(thousands of dollars)</i>	Per Capita Personal Income (1)	Median Age (2)	School Enrollment (3)	Unemployment Rate (4)
2008	129,508	\$ 3,824,551	\$ 29,531	33.0	24,800	6.5%
2009	131,292	3,806,559	28,993	34.6	24,866	10.6%
2010	132,624	3,789,919	28,576	33.5	24,601	11.1%
2011	133,180	4,012,295	30,127	34.8	24,742	9.7%
2012	133,957	4,088,293	30,519	35.0	25,175	8.9%
2013	136,379	4,200,201	30,798	35.3	25,577	7.7%
2014	138,776	4,411,764	31,791	35.0	25,918	6.6%
2015	140,733	4,515,981	32,089	35.9	26,016	6.2%
2016	142,224	4,688,552	32,966	36.1	26,297	5.6%
2017	143,882 (2)	**	**	**	26,441	4.2%

(1) Source: Bureau of Economic Analysis (latest year published is 2015)

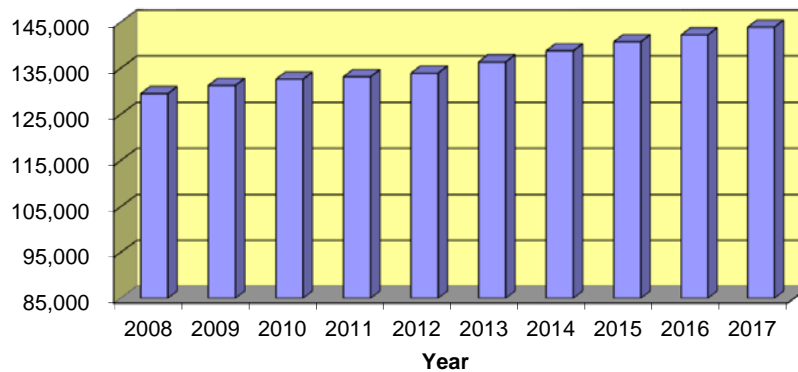
\*\* Information for 2016 was not available as of June 30, 2017.

(2) Source: U.S. Census Bureau - State and County Quick facts

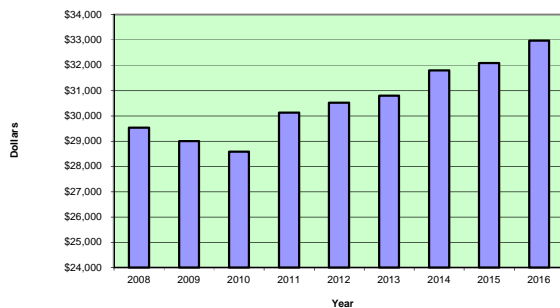
(3) Source: Georgia Department of Education, enrollment as of October each year.

(4) Source: U.S. Department of Labor, Bureau of Labor and Statistics

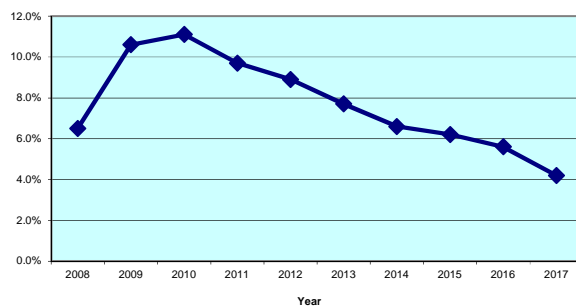
### Population of Douglas County



### Douglas County Per Capita Income



### Douglas County Unemployment Rate



# Douglasville-Douglas County Water and Sewer Authority

## Demographic and Economic Information

TABLE 11

### Douglas County Principal Employers

2018				
Employer	Type of Business	Employees	Rank	Percentage of Total County Employment
Douglas County School System	Government	3,500	1	5.1%
Douglas County Government	Government	1,034	2	1.5%
Silver Line Building Products Corp.	Building products	900	3	1.3%
Walmart	Retail	800	4	1.2%
WellStar Douglas Hospital	Healthcare	700	5	1.0%
McMaster Carr Supply	Manufacturing Plant Supplier	600	6	0.9%
APL Logistics	International Transportation	400	7	0.6%
Google	Information technology	400	8	0.6%
Benton-Georgia	Construction	350	9	0.5%
Medline Industries	Healthcare	300	10	0.4%
Total Principal Employment		8,984		13.1%
Other Employees		59,841		86.9%
Total County Employment		68,825		100.0%

2008 *				
Employer	Type of Business	Employees	Rank	Percentage of Total County Employment
Douglas County School System	Government	4,678	1	7.7%
Silver Line Building Products Corp.	Building products	1,200	2	2.0%
Douglas County Government	Government	1,044	3	1.7%
Wal-Mart	Retail	740	4	1.2%
WellStar Douglas Hospital	Healthcare	720	5	1.2%
Inner Harbor Hospitals, Ltd.	Healthcare	597	6	1.0%
American Red Cross Blood Services	Healthcare	450	7	0.7%
Kroger	Grocery	409	8	0.7%
APL Logistics	International Transportation	400	9	0.7%
Publix	Grocery	368	10	0.6%
Total Principal Employment		10,606		17.3%
Other Employers		50,529		82.7%
Total County Employment		61,135		100.0%

Sources: Douglasville Development Authority, City of Douglasville Development Authority, Douglas County Public Schools

\* 2009 Information was not available, 2008 information presented for comparison.

# Douglasville-Douglas County Water and Sewer Authority

## Operational Information

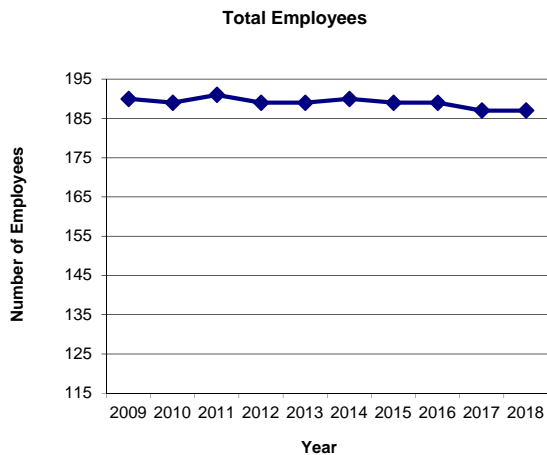
TABLE 12

### Full-Time Equivalent Water and Sewer Authority Employees

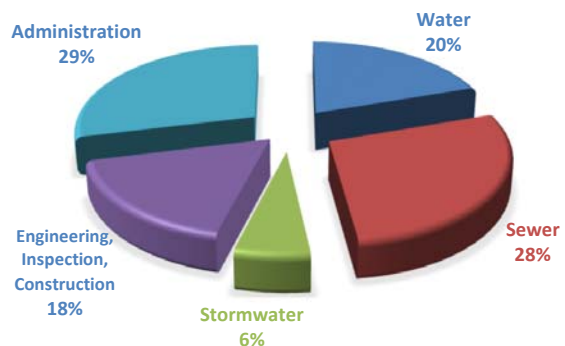
#### Employees by Function

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>WATER:</b>										
Water Plant Operations	14	14	14	15	15	15	15	15	15	15
Water Operations Maintenance	2	3	3	3	4	4	4	4	4	4
Water Systems Maintenance	27	27	19	16	15	15	15	15	15	15
Reservoir Staff	1	2	2	2	3	2	3	3	3	3
<b>WATER TOTAL</b>	<b>44</b>	<b>46</b>	<b>38</b>	<b>36</b>	<b>37</b>	<b>36</b>	<b>37</b>	<b>37</b>	<b>37</b>	<b>37</b>
<b>SEWER:</b>										
Sewer Plant Operations	25	23	23	23	24	23	23	23	23	23
Sewer Operations Maintenance	6	9	14	13	11	13	13	13	13	14
Sewer Systems Maintenance	24	21	16	16	16	17	16	16	16	16
<b>SEWER TOTAL</b>	<b>55</b>	<b>53</b>	<b>53</b>	<b>52</b>	<b>51</b>	<b>53</b>	<b>52</b>	<b>52</b>	<b>52</b>	<b>53</b>
<b>ENGINEERING/INSPECTION/CONSTRUCTION:</b>										
Engineering	13	13	12	12	12	12	12	12	10	10
Inspections	7	7	7	7	7	7	8	8	8	8
Construction	12	11	15	15	15	15	14	14	14	14
<b>ENG/INSP/CONS TOTAL</b>	<b>32</b>	<b>31</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>32</b>	<b>32</b>
<b>STORMWATER:</b>										
<b>STORMWATER TOTAL</b>	<b>13</b>	<b>12</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>11</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>11</b>
<b>ADMINISTRATION:</b>										
Billing/Customer Service	15	14	16	16	16	17	17	16	15	16
Meter Reading	10	10	11	12	12	12	13	14	14	13
Human Resources	8	9	12	12	11	12	12	12	12	12
Finance & Accounting	6	7	7	7	7	6	4	4	4	4
MIS	3	3	3	3	4	4	4	4	5	5
Executive Administration	4	4	4	4	4	5	4	4	4	4
<b>ADMINISTRATION TOTAL</b>	<b>46</b>	<b>47</b>	<b>53</b>	<b>54</b>	<b>54</b>	<b>56</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>54</b>
<b>TOTAL EMPLOYEES</b>	<b>190</b>	<b>189</b>	<b>191</b>	<b>189</b>	<b>189</b>	<b>190</b>	<b>189</b>	<b>189</b>	<b>187</b>	<b>187</b>

Source: Authority's Payroll Records



#### TOTAL EMPLOYEE PERCENTAGE BY SUB CATEGORY FISCAL YEAR 2018





# Douglasville-Douglas County Water and Sewer Authority

## Operational Information

TABLE 13

### Operating Indicators - Demand and Service Levels Last Ten Fiscal Years

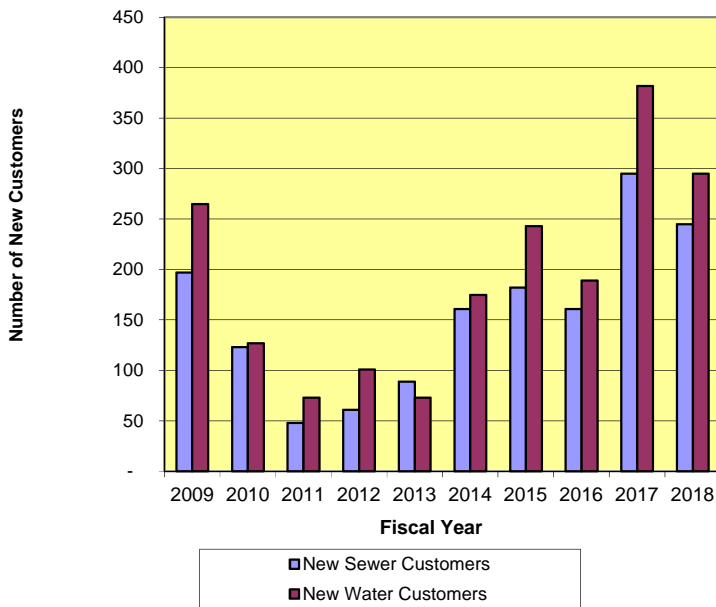
Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Demand or Level of Service</b>										
<b>Water</b>										
Total customers	41,617	41,744	41,817	41,918	41,991	42,166	42,409	42,598	42,980	43,275
New customers	265	127	73	101	73	175	243	189	382	295
Water main breaks	212	113	154	147	184	178	131	152	136	163
<sup>(1)</sup> Average daily consumption (thousands of gallons)	8,656	8,623	8,862	8,949	8,659	8,571	8,804	9,227	9,620	9,626
<b>Sewer</b>										
Total customers	17,550	17,673	17,721	17,782	17,871	18,032	18,214	18,375	18,670	18,915
New customers	197	123	48	61	89	161	182	161	295	245
Average daily sewer treatment (thousands of gallons)	5,579	6,038	5,255	4,794	5,274	5,456	5,087	6,104	5,420	5,629
<b>Stormwater</b>										
Total customers	42,505	42,636	42,684	42,738	43,108	43,299	43,498	43,708	44,084	44,355
New customers	234	131	48	54	370	191	199	210	376	271

**Notes:**

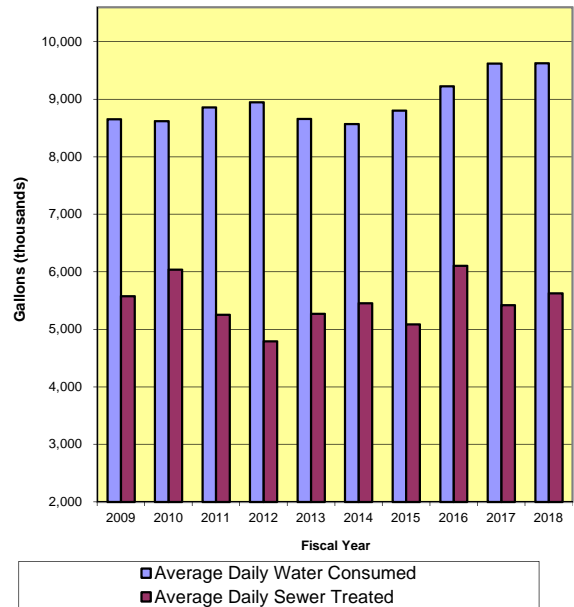
(1) During the period 2002 through 2007 consumption was increased due to the City of Villa Rica purchasing an average of 345 thousand gallons per day.

Source: Authority's GIS System; Authority's Customer Service and Billing System

**New Water and Sewer Customers**



**Average Daily Water Consumed and Treated**



# Douglasville-Douglas County Water and Sewer Authority

## Operational Information

TABLE 14

### Capital Assets - Indicators of Use and Volume Last Ten Fiscal Years

Fiscal Year	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>Capital Assets</u></b>										
<b>Water</b>										
Water main miles	920	921	927	929	929	930	931	931	938	939
Fire hydrants	6,326	6,347	6,471	6,524	6,545	6,765	6,796	6,798	7,020	7,038
Maximum daily design capacity (thousands of gallons)	16,400	16,400	16,400	23,940	23,940	23,940	23,940	23,940	23,940	23,940
Average daily water production (thousands of gallons)	10,666	10,841	10,941	11,015	10,753	10,651	11,016	11,203	11,772	11,537
Storage capacity - clear wells and water tanks (thousands of gallons)	11,775	11,775	11,775	14,775	14,775	14,775	14,775	14,775	14,775	14,775
Reservoir capacity (thousands of gallons)	1,988,000	1,988,000	1,988,000	1,988,000	1,988,000	1,988,000	1,988,000	1,988,000	1,988,000	1,988,000
<b>Sewer</b>										
Sanitary sewer miles	429	440	442	450	450	459	461	461	468	470
Maximum daily design treatment capacity (thousands of gallons)	10,220	10,140	10,140	10,140	10,140	10,140	10,140	10,140	10,140	10,140
Average Daily sewer flow (thousands of gallons)	5,579	6,038	5,255	4,794	5,274	5,456	5,087	6,104	5,420	5,629
<b>Stormwater</b>										
Storm sewer lines	156	112	115	120	120	120	120	120	121	121

Source: Authority's GIS System; Authority's Customer Service and Billing System

# Douglasville-Douglas County Water and Sewer Authority

## Operational Information

TABLE 15

### Top Ten Customers by Type Current and Ten Years Ago

Fiscal Year	2018			2009		
	Water Revenue	Rank	% of Water Revenue	Water Revenue	Rank	% of Water Revenue
<b>Water Customers</b>						
DC Board of Education	\$ 530,952	<u>1</u>	2.03%			
Grove Skyview LTD	302,317	<u>2</u>	1.16%	\$ 218,885	<u>2</u>	1.19%
Douglas County Jail	249,085	<u>3</u>	0.95%	129,971	<u>3</u>	0.70%
WellStar Hospital	181,823	<u>4</u>	0.70%	81,935	<u>10</u>	0.44%
Birch Landing	173,876	<u>5</u>	0.67%			
Pinnacle Homes at Rocky Ridge	150,305	<u>6</u>	0.58%			
Brighton Manor Apartments	142,386	<u>7</u>	0.55%			
AT&T	140,386	<u>8</u>	0.54%			
Value Family Properties	135,730	<u>9</u>	0.52%	104,061	<u>8</u>	0.56%
RK Manchester Place	129,543	<u>10</u>	0.50%			
Google				736,089	<u>1</u>	3.99%
Tree Terrace Apartments				121,951	<u>4</u>	0.66%
Sevo Miller, Inc. - Crestmark				110,687	<u>5</u>	0.60%
Arbor Place Mall				109,949	<u>6</u>	0.60%
Golden Estates Mobile Home Park				107,324	<u>7</u>	0.58%
Berwind Properties - Westfolk				88,034	<u>9</u>	0.48%
Totals	<u>\$ 2,136,403</u>		<u>8.19%</u>	<u>\$ 1,808,886</u>		<u>9.80%</u>

Fiscal Year	2018			2009		
	Sewer Revenue	Rank	% of Sewer Revenue	Sewer Revenue	Rank	% of Sewer Revenue
<b>Sewer Customers</b>						
DC Board of Education	382,168	<u>1</u>	2.69%			
Grove Skyview LTD	256,156	<u>2</u>	1.80%	\$ 156,846	<u>2</u>	1.69%
Douglas County Jail	207,208	<u>3</u>	1.46%	94,826	<u>3</u>	1.02%
WellStar	157,146	<u>4</u>	1.11%	63,119	<u>9</u>	0.68%
Birch Landing	155,765	<u>5</u>	1.10%			
Pinnacle Homes at Rocky Ridge	129,499	<u>6</u>	0.91%	56,388	<u>10</u>	0.61%
Brighton Manor Apartments	115,246	<u>7</u>	0.81%			
RK Manchester Place	111,413	<u>8</u>	0.78%			
Sevo Miller, Inc. - Crestmark	108,320	<u>9</u>	0.76%	72,930	<u>7</u>	0.78%
Century Arbor Place	101,797	<u>10</u>	0.72%			
Google, Inc				501,595	<u>1</u>	5.40%
Tree Terrace Apartments				89,368	<u>4</u>	0.96%
Arbor Place Mall				78,500	<u>5</u>	0.84%
Golden Estates Mobile Home Pk				78,481	<u>6</u>	0.84%
Berwind Property- Westfork-Waterford				67,371	<u>8</u>	0.72%
Totals	<u>\$ 1,724,718</u>		<u>12.14%</u>	<u>\$ 1,259,424</u>		<u>13.54%</u>

Fiscal Year	2018			2009		
	Stormwater Revenue	Rank	% of Stormwater Revenue	Stormwater Revenue	Rank	% of Stormwater Revenue
<b>Stormwater Customers</b>						
DC Board of Education	\$ 218,578	<u>1</u>	4.88%			
McMaster-CARR Supply Company	33,119	<u>2</u>	0.74%			
Hunt Partners Ret. Group-Jacoby Dev.	25,401	<u>3</u>	0.57%	\$ 27,517	<u>4</u>	0.62%
Amazon.com	23,918	<u>4</u>	0.53%			
JVC Co. of America	23,162	<u>5</u>	0.52%	23,162	<u>5</u>	0.52%
Grove Skyview, LTD	20,837	<u>6</u>	0.47%	19,709	<u>7</u>	0.44%
Arbor Place Mall	20,604	<u>7</u>	0.46%	20,604	<u>6</u>	0.46%
Google, Inc	20,327	<u>8</u>	0.45%	29,475	<u>3</u>	0.66%
Excel-Hon, Inc	19,392	<u>9</u>	0.43%			
Prologis	19,330	<u>10</u>	0.43%	19,000	<u>8</u>	0.43%
APL Logistics				32,873	<u>1</u>	0.74%
Conlan Company				32,280	<u>2</u>	0.72%
Medline Industries, Inc.				18,884	<u>9</u>	0.42%
Maytag Appliance				18,019	<u>10</u>	0.40%
Totals	<u>\$ 424,668</u>		<u>9.49%</u>	<u>\$ 241,523</u>		<u>5.41%</u>

# **COMPLIANCE**

## **SECTION**



## NICHOLS, CAULEY & ASSOCIATES, LLC

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770-422-0598 FAX 678-214-2355  
kennesaw@nicholscauley.com

### **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  
Douglasville-Douglas County Water and Sewer Authority  
Douglasville, 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 Douglasville-Douglas County Water and Sewer Authority (the “Authority”), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated October 25, 2018.

#### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Douglasville-Douglas 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 Douglasville-Douglas County Water and Sewer Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of Douglasville-Douglas 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 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

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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 Douglasville-Douglas County Water and Sewer Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Richels, Cauley + Associates, LLC*

Kennesaw, Georgia  
October 25, 2018



