

DOUGLASVILLE-DOUGLAS COUNTY WATER AND SEWER AUTHORITY

DOUGLAS COUNTY, GEORGIA



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR FISCAL YEARS ENDED
JUNE 30, 2019 and 2018**

DOUGLASVILLE-DOUGLAS COUNTY WATER AND SEWER AUTHORITY

DOUGLAS COUNTY, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEARS ENDED JUNE 30, 2019 and 2018

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, 2019 and 2018
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INTRODUCTORY SECTION

Douglasville-Douglas County Water and Sewer Authority

Listing of Principal Officials and Consultants

BOARD OF DIRECTORS

E. John Citizen	Chairman
William Willis, Jr.	Vice Chairman
Charlie Banks	Member
Peggy Baugh	Member
Cindy Fedack	Member
Romona Jackson Jones, Chair, Douglas County Board of Commissioners	Member
Rochelle Robinson, Mayor, City of Douglasville	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	Deputy Director - Chief Financial Officer
Charles Butts	Systems Maintenance Manager
Karen Cobb	Customer Service Manager
Aaron Gardenhire	Management Information Services (MIS) Manager
Steve Green	Water Operations Manager
Sidney Miller	Administrative Services Manager

LEGAL COUNSEL

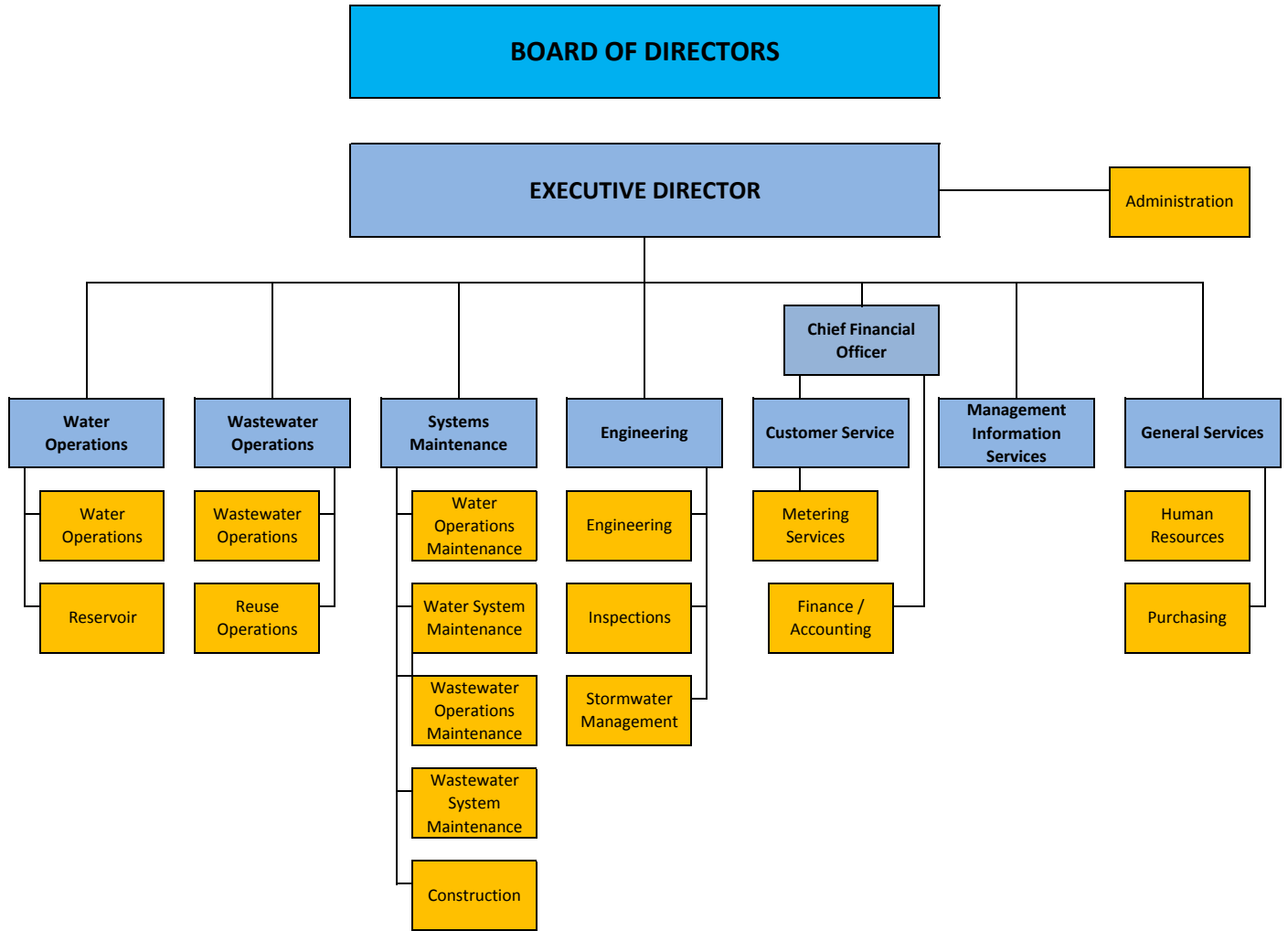
Hartley, Rowe & Fowler	Corporate Counsel
Ford & Harrison	Personnel Counsel
Milbree Lankford	General Counsel
Murray Barnes Finister LLP	Bond Counsel

CONSULTANTS

R. J. Wood and Company	Water Consulting Engineer
Hazen and Sawyer, P.C.	Wastewater Consulting Engineer
Rindt-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

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, 2018

Christopher P. Morill

Executive Director/CEO



DOUGLASVILLE-DOUGLAS COUNTY WATER AND SEWER AUTHORITY

P.O. Box 1157 | Douglasville | Georgia | 30133

November 14, 2019

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, 2019 and 2018. This submission is in compliance with the Act that created the Authority. The basic financial statements for the fiscal years ended June 30, 2019 and 2018 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, 2019, the net property, plant and equipment value of the combined system was over \$369 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 942 miles of 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 473 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, 2019, 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 145,331.

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, 2019 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 35,974 installations complete as of June 30, 2019. The project will take approximately nine years to complete at an estimated cost of \$3,000,000 a year.

A \$1.16 million project replaced an eight-inch water line in Chestnut Log Subdivision.

A \$742,000 project replaced a water line in Rolling Hills subdivision.

Expenditures of \$630,000 on a major sewer line rehabilitation, with the project continuing into FY20.

Stormwater project expenditures totaled \$2.4 million in 2019, including projects on Tara Circle, S. Sweetwater Road, Benson Drive, Charleston Place, Chapel Hill Farms and Cole Road. Stormwater Improvement Projects of \$1.4 million were completed in 2018 on Beaver Drive, Camel Drive, and Prestley Mill Road.

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 2019 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 2018

- Georgia Association of Water Professionals (GAWP) Innovation Public Education Program for “H2O-TO-GO”
- Partnership for Safe Water 20-Year Director’s Award
- Bear Creek Water Treatment Plant Best in the State in its size category
- Government Finance Officers Association Award for Excellence in Financial Reporting

Calendar Year 2017

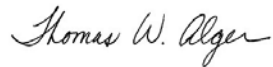
- South Central Wastewater Treatment Plant Laboratory Best in State in its size category
- Bear Creek Water Treatment Plant Local Government Risk Management Services (L.G.R.M.S) Risk Management and Safety Leadership Award
- Government Finance Officers Association Award for Excellence in Financial Reporting

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, 2018. This is the fifteenth 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@nicholscabley.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, 2019 and 2018, 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.

Opinions

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, 2019 and 2018, 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, and Schedule of Changes in the Total OPEB Liability and Related Ratios, on pages 15 through 23 and 55 through 59, 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 November 14, 2019, 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.

Richards, Cauley + Associates, LLC

Kennesaw, Georgia
November 14, 2019

**MANAGEMENT'S DISCUSSION
AND ANALYSIS
(unaudited)**

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, 2019 and 2018. 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, 2019. Total assets and deferred outflows at June 30, 2019 were \$429.0 million and exceeded liabilities and deferred inflows in the amount of \$290.0 million (net position). Total net position increased by \$5.7 million in fiscal year 2019. Total net position increased by \$6.5 million in FY 2018.
- During the fiscal year 2019, the Authority's operating revenues increased to \$47.1 million up from \$46.9 million in 2018 or 0.4%, while operating expenses were increased to \$41.3 million up from \$39.2 million in 2018 with 5.4% change. Increases in operating expenses occurred in employment cost (\$1.5 million), utilities (\$0.2 million), and water and purchased services (\$0.7 million). Decrease in expenses occurred in depreciation (\$0.5 million). There were small changes in repairs & maintenance, supplies & materials, and administration expenses.
- Water revenue decreased \$0.2 million and sewer revenue decreased \$0.3 million in the fiscal year ended June 30, 2019 compared to that of the previous year. Water and sewer rates were unchanged in fiscal year 2019. Water rates increased 2% and sewer rates increased 3% in December 2017 (FY18). Water demand was moderate in FY19, especially in the spring of 2019, when sufficient rains slowed water demand. The combined flat rates with flat demand in FY19, is reflected in the revenues being relatively close to FY18 revenues. Water demand was strong in fiscal 2018, particularly early in the fiscal year, as natural rains continued behind normal seasonal volume and demand for water from the Authority increased. A more normal rainfall and water demand pattern returned by the end of fiscal 2018. The Authority continues to evaluate water and sewer rates and targets rate increases 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 \$18.0 million and \$10.9 million in fiscal years 2019 and 2018 of which \$0.8 million and \$0.8 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, 2019 and 2018. 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 2019, 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.

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

	Fiscal Year 2019 to 2018 Comparison				Fiscal Year 2018 to 2017 Comparison			
	FY 2019	FY 2018	Dollar Change	% Change	FY 2018	FY 2017	Dollar Change	% Change
Assets & Deferred Outflows:								
Current and Other Assets	\$ 51.4	\$ 54.4	(\$3.0)	-5.5%	\$ 54.4	\$ 46.4	\$8.0	17.2%
Capital Assets	369.7	368.8	0.9	0.2%	368.8	375.6	(6.8)	-1.8%
Total Assets	421.1	423.2	(2.1)	-0.5%	423.2	422.0	1.2	0.3%
Deferred Outflows	7.9	7.8	0.1	1.3%	7.8	7.6	0.2	2.6%
Total Assets & Deferred Outflows	429.0	431.0	(2.0)	-0.5%	431.0	429.6	1.4	0.3%
Liabilities:								
Long-Term Debt Outstanding	118.0	125.4	(7.4)	-5.9%	125.4	132.5	(7.1)	-5.4%
Other Liabilities	18.6	19.0	(0.4)	-2.1%	19.0	19.1	(0.1)	-0.5%
Total Liabilities	136.6	144.4	(7.8)	-5.4%	144.4	151.6	(7.2)	-4.7%
Deferred Inflows	2.4	2.3	0.1	4.3%	2.3	0.2	2.1	1050.0%
Total Liabilities & Deferred Inflows	139.0	146.7	(7.7)	-5.2%	146.7	151.8	(5.1)	-3.4%
Net Position:								
Investment in Capital Assets	249.0	241.7	7.3	3.0%	241.7	242.1	(0.4)	-0.2%
Restricted	2.4	5.2	(2.8)	-53.8%	5.2	21.6	(16.4)	-75.9%
Unrestricted	38.6	37.4	1.2	3.2%	37.4	14.1	23.3	165.2%
TOTAL NET POSITION	\$ 290.0	\$ 284.3	\$ 5.7	2.0%	\$ 284.3	\$ 277.8	\$ 6.5	2.3%

STATEMENTS OF NET POSITION

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

Comparison 2019-2018:

Net position at June 30, 2019 was \$290.0 million, an increase of \$5.7 million. The increase was due to a combination of a water and sewer rate increase in December 2017 creating a full year of the rate structure for FY19, solid demand for water and sewer services, and the Authority's efforts at controlling costs while still providing safe and efficient services. Current and other assets decreased \$2.0 million, of which \$1.6 million was in cash & investments, \$0.4 million was in accounts receivables, net pension asset decreased \$1.0 million, and other minor fluctuations on these lines netting to a decrease of \$0.2 million. Capital assets increased \$0.9 million due to new assets acquired during the year exceeding depreciation. Deferred outflows increased \$0.1 million due to accounting for pensions causing changes of \$0.7 million in deferred outflows, and a decrease of \$0.6 million in bond defeasance costs through amortization. Long-term debt decreased \$7.4 million reflecting payments of principal. Other liabilities decreased \$0.4 million due to an increase in current bond obligations (\$0.02 million), a decrease in accounts payable (\$0.6 million), and an increase in customer deposits (\$0.1 million). Net position for investment in capital assets increased \$7.3 million as a result of a net increase in capital assets, debt reduction of \$7.0 million, and changes in related deferred outflows. Net position - unrestricted (available for day-to-day operations) increased \$1.2 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 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 \$8.0 million, of which \$6.3 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 increase in current bond obligations (\$0.02 million), an increase in accounts payable (\$0.4 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.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

While the Statements of Net Position shows the increase in net position of \$5.7 million, the Statements of Revenues, Expenses, and Changes in Net Position, (summary shown in table A-2), 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.

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

	Fiscal Year 2019 to 2018 Comparison				Fiscal Year 2018 to 2017 Comparison			
	FY 2019	FY 2018	Dollar Change	% Change	FY 2018	FY 2017	Dollar Change	% Change
REVENUES								
Operating Revenue:								
Charges for services	\$ 45.6	\$ 45.6	\$ -	0.0%	\$ 45.6	\$ 45.5	\$ 0.1	0.2%
Penalties	1.5	1.3	0.2	15.4%	1.3	1.1	0.2	18.2%
Total Operating Revenues	47.1	46.9	0.2	0.4%	46.9	46.6	0.3	0.6%
Interest income	0.4	0.3	0.1	33.3%	0.3	0.3	-	0.0%
Total Revenues	47.5	47.2	0.3	0.6%	47.2	46.9	0.3	0.6%
EXPENSES								
Total Operating Expenses:	41.3	39.2	2.1	5.4%	39.2	38.3	0.9	2.3%
Non-Operating Income (Expense)								
Interest and fiscal charges	(4.6)	(4.9)	0.3	-6.1%	(4.9)	(5.2)	0.3	-5.8%
Gain(loss)-disposal of cap. assets	0.1	0.1	-	0.0%	0.1	0.1	-	0.0%
Other income(expense)	0.1	0.1	-	0.0%	0.1	(0.1)	0.2	200.0%
Total Non-Operating Expenses	(4.4)	(4.7)	0.3	-6.4%	(4.7)	(5.2)	0.5	-9.6%
Total Expenses	45.7	43.9	1.8	4.1%	43.9	43.5	0.4	0.9%
Income Before Cap Contr.	1.8	3.3	(1.5)	-45.5%	3.3	3.4	(0.1)	-2.9%
Capital Contributions:								
Tap fees	3.1	2.4	0.7	29.2%	2.4	2.5	(0.1)	-4.0%
Developer lines	0.8	0.8	-	0.0%	0.8	0.6	0.2	33.3%
Total Capital Contributions	3.9	3.2	0.7	21.9%	3.2	3.1	0.1	3.2%
Changes in Net Position	5.7	6.5	(0.8)	-12.3%	6.5	6.5	0.0	0.0%
Beginning Net Position	284.3	277.8	6.5	2.3%	277.8	271.3	6.5	2.4%
Ending Net Position	\$ 290.0	\$ 284.3	\$ 5.7	2.0%	\$ 284.3	\$ 277.8	\$ 6.5	2.3%

REVIEW OF OPERATIONS

Comparison 2019-2018:

Operating revenues increased by \$0.2 million or 0.4%. Water revenue decreased 0.9% (\$ 0.2 million) and sewer revenue decreased 2.0% (\$0.2 million) with a 2.0% water rate increase and 3.0% 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 decreased by \$0.2 million to \$0.3 million due to continued collection efforts. There were no significant other increases or decreases in other revenues.

Operating expenses in 2019 increased \$2.1 million from 2018. Employment cost increased \$1.5 million or 12.6% 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 2019, 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 increased 7.1% over the previous

year due to slight increases in energy needs and energy costs. There were no significant other increases or decreases in other operating expenses.

Comparison 2018-2017:

Operating revenues increased by \$0.3 million or 0.6%. Water revenue increased 2.7% (\$ 0.7 million) and sewer revenue increased 1.4% (\$0.2 million) with a 2.0% water rate increase and 3.0% 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 \$0.4 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.

TOTAL NON-OPERATING REVENUES AND EXPENSES

Comparison 2019-2018:

Non-operating interest income was flat, although rates paid on deposits are rising slightly. Total non-operating expenses decreased \$0.3 million to \$4.4 million. Interest expense decreased \$0.3 million due to reduced bond principal outstanding and bond refunding, and other expenses did not change. Disposition of capital assets was unchanged in 2019 compared to the 2018.

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.

CAPITAL CONTRIBUTIONS

Comparison 2019-2018:

Capital contributions increased \$0.7 million to \$3.9 million (up 21.9%). The tap fees were up \$0.7 million (29.2%) to \$3.1 million, developer lines did not change. 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 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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Table A-3 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 2019, the Authority had invested \$644.7 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 2019 to 2018 Comparison				Fiscal Year 2018 to 2017 Comparison			
	FY	FY	Dollar	%	FY	FY	Dollar	%
	2019	2018	Change	Change	2018	2017	Change	Change
Land	\$ 14.7	\$ 14.7	\$ -	0.0%	\$ 14.7	\$ 14.7	\$ -	0.0%
Buildings	69.5	68.3	1.2	1.8%	68.3	68.0	0.3	0.4%
Machinery & Equipment	71.3	70.5	0.8	1.1%	70.5	68.3	2.2	3.2%
Improvements	471.0	465.4	5.6	1.2%	465.4	459.2	6.2	1.4%
Construction In Progress	18.2	7.8	10.4	133.3%	7.8	5.7	2.1	36.8%
Subtotal	644.7	626.7	18.0	2.9%	626.7	615.9	10.8	1.8%
Less Accumulated Depreciation	275.0	257.9	17.1	6.6%	257.9	240.3	17.6	7.3%
Net Property, Plant, Equipment	\$ 369.7	\$ 368.8	\$ 0.9	0.2%	\$ 368.8	\$ 375.6	\$ (6.8)	-1.8%

Fiscal year 2019, significant capital asset additions and changes (in millions of dollars) were:

\$1.2 – Building – Admin buildings (\$0.1), Sewer structures (\$1.0), Water Structures (\$0.1)
 \$0.8 – Machinery & Equipment -- Power and Miscellaneous Equipment (\$0.9), Transportation (\$0.3), retirements (-\$0.4)
 \$5.6 – Improvements – Stormwater (\$1.5), Meters (\$2.2), Sewer Lines (\$1.4), Water Lines (\$0.5)
 \$10.4 – Construction in Progress – Various projects in process with reclass to permanent categories above.
 \$18.0 million – Total Asset Dollar Change

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

\$0.3 – Buildings – essentially unchanged
 \$2.2 – Machinery and Equipment – Power and Misc. Equipment (\$1.1), Pumps (\$0.5), Transportation (\$0.6)
 \$6.2 – Improvements – Stormwater (\$1.4), Meters (\$2.2), Sewer Lines (\$2.1), Water Lines (\$0.5)
 \$2.1 – Construction in Progress – projects in process with reclass to permanent categories above.
 \$10.8 million – Total Asset Dollar Change

DEBT

At June 30, 2019 year-end, the Authority had \$125.2 million in debt instruments down from \$132.3 million in fiscal year 2018. 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 2019 and 2018. More detailed information about the Authority's debt liabilities is presented in Note 4 of the Notes to the Financial Statements.

Bond Ratings

With the 2009 issue, the Authority received a stand-alone rating of Aa2 by Moody's, and an affirmative of its AA-rating from Standard & Poor's. In August 2014, Moody's downgraded the Authority's rating to Aa3.

Debt Coverage Ratio

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 are that all estimated future annual net earnings of the system must be at least 1.20 times the highest combined debt service requirement. The current debt service structure essentially remains level reaching maximum annual debt service in 2025 of \$11.4 million and declining after 2030. Note this calculation is based on the scheduled

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

	Fiscal Year 2019 to 2018 Comparison				Fiscal Year 2018 to 2017 Comparison			
	FY	FY	Dollar	%	FY	FY	Dollar	%
	2019	2018	Change	Change	2018	2017	Change	Change
Revenue from Operations	\$ 47.1	\$ 46.9	\$ 0.2	0.4%	\$ 46.9	\$ 46.6	\$ 0.3	0.6%
Interest Income	0.4	0.3	0.1	33.3%	0.3	0.3	-	0.0%
Tap Fees	3.1	2.4	0.7	29.2%	2.4	2.5	(0.1)	-4.0%
Total Revenues	50.6	49.6	1.0	2.0%	49.6	49.4	0.2	0.4%
Total Operating Expenses (less depreciation)	23.9	21.2	2.7	12.7%	21.2	20.3	0.9	4.4%
Net Earnings	26.7	28.4	(1.7)	-6.0%	28.4	29.1	(0.7)	-2.4%
Current Annual Debt Service	11.2	11.2	-	0.0%	11.2	11.2	-	0.0%
Debt Coverage Ratio	2.4	2.5	(0.1)	-3.9%	2.5	2.6	(0.1)	-3.8%
Maximum Annual Debt Service	\$ 11.2	\$ 11.4	(0.2)	-1.8%	\$ 11.4	\$ 11.4	-	0.0%
Debt Coverage Ratio	2.4	2.5	\$ (0.1)	-4.0%	2.5	2.6	\$ (0.1)	-3.9%

2015 Series B bond maturities excluding the mandatory redemption date at June 1, 2030. During fiscal year 2019, the Authority's current debt coverage ratio, including tap fees, was 2.4. The maximum annual debt (MAD) service level is at 2.3.

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 2019 experienced fairly flat consumption over the prior year. 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 2020 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 fiscal year 2020 budget was prepared with a 2% increase in water and a 3% increase sewer rates projected in December 2019; 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 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,	
	2019	2018
Assets:		
Current assets:		
Cash and cash equivalents	\$ 34,195,776	\$ 33,373,430
Accounts receivable, less allowance for doubtful accounts of \$550,000 in 2019 and 2018	6,298,970	6,541,802
Miscellaneous receivables	164,754	128,639
Inventories	1,012,169	811,844
Prepaid expenses	549,968	557,004
Restricted assets:		
Cash and cash equivalents	6,371,055	9,000,243
Investments	1,048,177	993,606
Receivables	8,061	154,584
Total current assets	49,648,930	51,561,152
Non-current assets:		
Capital assets:		
Land and easements	14,743,092	14,735,271
Buildings	69,491,249	68,333,683
Machinery and equipment	71,272,083	70,465,908
Improvements other than buildings	471,034,975	465,372,872
Construction in progress	18,158,685	7,771,989
	644,700,084	626,679,723
Less accumulated depreciation	275,027,465	257,907,349
Net capital assets	369,672,619	368,772,374
Other assets:		
Miscellaneous receivables - non-current, less allowance for doubtful accounts of \$28,700 in 2019 and 2018	206,516	227,257
Net pension asset	122,574	1,121,336
Investments, net	1,495,404	1,489,270
Total other assets	1,824,494	2,837,863
Total non-current assets	371,497,113	371,610,237
Total assets	421,146,043	423,171,389
Deferred Outflows:		
Pensions	3,336,458	2,593,077
Bond defeasance costs	4,575,121	5,211,450
Total deferred outflows	7,911,579	7,804,527

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

	June 30,	
	2019	2018
Liabilities:		
Current liabilities:		
Accounts payable	\$ 1,281,808	\$ 1,875,723
Accrued expenses and other	1,173,030	1,108,139
Revenue bonds, portion due within one year	7,220,000	6,960,000
Current liabilities payable from restricted assets:		
Accrued interest on revenue bonds	329,285	351,656
Accounts payable	353,522	427,668
Customer deposits	3,787,520	3,734,036
Unearned income	1,147,050	1,217,978
Total current liabilities	15,292,215	15,675,200
 Non-current liabilities:		
Other long-term liabilities	3,293,097	3,322,223
Long-term debt:		
Revenue bonds – portion due after one year, net of unamortized (premium)/discounts of (\$235,268) in 2019 and (\$356,111) in 2018	118,025,268	125,366,111
Total long-term debt	118,025,268	125,366,111
Total non-current liabilities	121,318,365	128,688,334
 Total liabilities	 136,610,580	 144,363,534
 Deferred Inflows:		
Pensions	2,423,251	2,326,918
Total deferred inflows	2,423,251	2,326,918
 Total liabilities and deferred inflows	 139,033,831	 146,690,452
 Net Position:		
Net investment in capital assets	249,002,472	241,657,713
Amounts restricted for:		
Debt service	718,892	641,950
Renewal and expansion	1,674,965	4,625,068
Unrestricted amounts	38,627,462	37,360,733
Total net position	\$ 290,023,791	\$ 284,285,464

See accompanying notes.

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

	Year ended June 30,	
	2019	2018
Operating revenues:		
Charges for services (net of bad debt expense \$321,567 in 2019 and \$478,382 in 2018)	\$ 45,650,475	\$ 45,610,329
Penalties	1,472,547	1,290,967
	47,123,022	46,901,296
Operating expenses:		
Employment costs	13,356,642	11,897,400
Repairs and maintenance	2,621,010	2,505,369
Supplies and materials	1,547,301	1,473,224
Depreciation	17,440,782	17,967,528
Utilities	3,029,506	2,814,642
Water and sewer services purchased	1,782,228	1,065,481
Administration	1,532,750	1,480,673
	41,310,219	39,204,317
Operating income	5,812,803	7,696,979
Non-operating revenues (expenses):		
Interest and fiscal charges, net of capitalized amount of \$75,860 in 2019 and \$66,691 in 2018	(4,637,132)	(4,899,867)
Interest income	384,127	320,049
Gain on disposal of capital assets	68,772	49,377
Other income (expenses)	143,382	74,785
Total non-operating revenue (expenses) net	(4,040,851)	(4,455,656)
Income before capital contributions	1,771,952	3,241,323
Capital contributions	3,966,375	3,214,376
Change in net position	5,738,327	6,455,699
Total net position - beginning	284,285,464	277,829,765
Total net position - ending	\$ 290,023,791	\$ 284,285,464

See accompanying notes.

Douglasville-Douglas County Water and Sewer Authority

Statements of Cash Flows

	Year ended June 30,	
	2019	2018
Cash flows from operating activities:		
Cash received from customers	\$ 47,479,559	\$ 46,573,375
Cash payments for goods and services	(8,783,873)	(8,697,347)
Cash payments to employees	(15,565,566)	(12,986,987)
Net cash provided by operating activities	23,130,120	24,889,041
Cash flows from capital and related financing activities:		
Payments for capital acquisitions	(17,517,541)	(10,370,776)
Principal repayments on bonds payable	(6,960,000)	(6,695,000)
Interest paid	(4,144,015)	(4,410,898)
Proceeds from the sale of capital assets	81,587	49,377
Capital grants	-	2,720
Cash received for water and sewer tap fees	3,130,074	2,429,503
Net cash used in capital and related financing activities	(25,409,895)	(18,995,074)
Cash flows from investing activities:		
Purchase of investments	(54,571)	(36,823)
Receipts of interest and dividends	527,504	394,837
Net cash provided by investing activities	472,933	358,014
Net (decrease)increase in cash and cash equivalents	(1,806,842)	6,251,981
Cash and cash equivalents, beginning of year	42,373,673	36,121,692
Cash and cash equivalents, end of year	\$ 40,566,831	\$ 42,373,673
Reconciliation to Statement of Net Position:		
Cash and cash equivalents	\$ 34,195,776	\$ 33,373,430
Restricted assets:		
Cash and cash equivalents	6,371,055	9,000,243
	\$ 40,566,831	\$ 42,373,673

Continued on next page

Douglasville-Douglas County Water and Sewer Authority

Statements of Cash Flows (Continued)

	Year ended June 30,	
	2019	2018
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 5,812,803	\$ 7,696,979
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	17,440,782	17,967,528
Changes in operating assets, liabilities, deferred outflows and deferred inflows:		
Accounts and miscellaneous receivables	353,243	(538,942)
Inventories	(200,325)	(39,105)
Prepaid expenses	7,036	(301,356)
Miscellaneous receivables - non-current	20,741	(3,045)
Other non-current assets	992,628	(1,051,189)
Accounts payable	(668,061)	472,273
Accrued expenses and other	64,891	80,753
Customer deposits	53,484	283,046
Other long-term liabilities	(29,126)	(1,056,295)
Unearned income	(70,928)	(68,984)
Deferred outflows	(743,381)	(629,380)
Deferred inflows	96,333	2,076,758
Total adjustments	17,317,317	17,192,062
Net cash provided by operating activities	\$ 23,130,120	\$ 24,889,041

Schedule of non-cash capital and financing activities:

Capital assets acquired through:		
Developer contributions	\$ 836,301	\$ 782,153
Total non-cash capital financing activities	\$ 836,301	\$ 782,153

See accompanying notes.

**NOTES TO
FINANCIAL STATEMENTS**

Douglasville-Douglas County Water and Sewer Authority
Notes to Financial Statements
June 30, 2019 and 2018

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

Douglasville-Douglas County Water and Sewer Authority
Notes to Financial Statements
June 30, 2019 and 2018

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.

Georgia Fund 1 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

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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 (shown as part of bond defeasance 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 and other pension plan expenses will be expensed in future periods. The bond defeasance costs are amortized over the shorter of the remaining life of the old debt or the new debt. Deferred inflows of resources 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 (GMEBS). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair market value.

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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 – Line and 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.

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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. Reclassifications

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

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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:

	2019	2018
Demand deposit accounts	\$ 19,721,798	\$ 25,354,675
Money market account	20,845,033	17,018,998
Local government investment pool	1,048,177	993,606
Investments	1,495,404	1,489,270
	<u>\$ 43,110,412</u>	<u>\$ 44,856,549</u>
Current assets:		
Unrestricted - cash and cash equivalents	\$ 34,195,776	\$ 33,373,430
Restricted - cash and cash equivalents	6,371,055	9,000,243
Restricted - investments	1,048,177	993,606
Non-current asset:		
Investments	1,495,404	1,489,270
	<u>\$ 43,110,412</u>	<u>\$ 44,856,549</u>

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, 2019 and 2018, the Authority had the following restricted investments listed at fair value:

<u>Investment</u>	<u>2019</u>	<u>2018</u>
Georgia Fund 1 LGIP	<u>\$1,048,177</u>	<u>\$993,606</u>
Maturities-in weighted average (WAM)	39 days	10 days

Georgia Fund 1 – As of June 30, 2019 and 2018, the Authority's investment in Georgia Fund 1 was rated AA Af by Standard & Poor's.

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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 \$1,495,404 and \$1,489,270 at June 30, 2019 and 2018, 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 – 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. The Authority reduces its exposure to custodial credit risk by requiring deposits to be collateralized in accordance with state law. As of June 30, 2019 and 2018, the Authority was not exposed to custodial credit risk.

The Authority has 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 (unadjusted) 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 Measure Using:		
		Level 1	Level 2	Level 3
2019				
Annuity Investment	\$ 1,495,404	\$ -	\$ -	\$ 1,495,404
Totals	\$ 1,495,404	\$ -	\$ -	\$ 1,495,404
2018				
Annuity Investment	\$ 1,489,270	\$ -	\$ -	\$ 1,489,270
Totals	\$ 1,489,270	\$ -	\$ -	\$ 1,489,270

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3. Capital Assets

A summary of capital asset activity and changes in accumulated depreciation for the years ended June 30, 2019 and 2018 follows:

	Balance June 30, 2018	Additions	Retirements & Transfers	Balance June 30, 2019
Capital assets not being depreciated:				
Land and easements	\$ 14,735,271	\$ 7,821	\$ -	\$ 14,743,092
Construction in progress	7,771,989	16,903,507	(6,516,811)	18,158,685
Total capital assets, not being depreciated	22,507,260	16,911,328	(6,516,811)	32,901,777
Capital assets being depreciated:				
Buildings and structures	68,333,683	1,157,566	-	69,491,249
Machinery and equipment	70,465,908	1,139,656	(333,481)	71,272,083
Improvements other than buildings	465,372,872	5,662,103	-	471,034,975
Total capital assets being depreciated	604,172,463	7,959,325	(333,481)	611,798,307
Less accumulated depreciation for:				
Buildings and structures	(23,087,848)	(2,192,296)	-	(25,280,144)
Machinery and equipment	(50,979,323)	(3,126,647)	320,666	(53,785,304)
Improvements other than buildings	(183,840,178)	(12,121,839)	-	(195,962,017)
Total accumulated depreciation	(257,907,349)	(17,440,782)	320,666	(275,027,465)
Total capital assets being depreciated, net	346,265,114	(9,481,457)	(12,815)	336,770,842
Net capital assets	\$ 368,772,374	\$ 7,429,871	\$ (6,529,626)	\$ 369,672,619

	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

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Total interest costs incurred during the year amounted to \$4,197,503 and \$4,389,422 in 2019 and 2018, respectively. From these amounts, \$75,860 (2019) and \$66,691 (2018) were capitalized as construction period interest.

Depreciation expense incurred during the year amounted to \$17,440,782 in 2019 and \$17,967,528 in 2018.

4. Long-Term Debt -Direct Borrowings/Placements

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, but amortized to 2037. 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 \$64,120,000 and \$66,755,000 at June 30, 2019 and 2018, 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 \$47,360,000 and \$48,700,000 at June 30, 2019 and 2018, 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 \$13,530,000 and \$16,515,000 at June 30, 2019 and 2018, respectively.

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.

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

Bond Year Ending June 30	Principal Maturities and Scheduled Mandatory Redemption Payments	Interest Payments	Total Debt Service on the Bonds
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	8,535,000	2,813,162	11,348,162
2025-2029	46,530,000	10,196,105	56,726,105
2030	39,335,000	6,284,858	45,619,858
Totals	<u>125,010,000</u>	<u>\$ 33,383,784</u>	<u>\$ 158,393,784</u>
Less: Portion due within 1 year	(7,220,000)		
Net unamortized premium	235,268		
Long-term debt at June 30, 2019	<u>\$ 118,025,268</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, 2018	Additions	Reductions	June 30, 2019	Due Within One Year
2009 Revenue Bonds	\$ 16,515,000	\$ -	\$ (2,985,000)	\$ 13,530,000	\$ 3,140,000
2013 Revenue Bonds	48,700,000	-	(1,340,000)	47,360,000	1,370,000
2015 Revenue Bonds	66,755,000	-	(2,635,000)	64,120,000	2,710,000
	<u>131,970,000</u>	<u>-</u>	<u>(6,960,000)</u>	<u>125,010,000</u>	<u>7,220,000</u>
Premiums/(Discounts):					
2009 Revenue Bonds	356,111	-	(120,843)	235,268	-
Total long-term debt	<u>\$ 132,326,111</u>	<u>\$ -</u>	<u>\$ (7,080,843)</u>	<u>\$ 125,245,268</u>	<u>\$ 7,220,000</u>
Current portion of debt	(6,960,000)			(7,220,000)	
Long-term debt	<u>\$ 125,366,111</u>			<u>\$ 118,025,268</u>	

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	June 30, 2017	Additions	Reductions	June 30, 2018	Due Within One Year
2007 Revenue Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
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	<u>(6,695,000)</u>			<u>(6,960,000)</u>	
Long-Term Debt	<u>\$ 132,469,583</u>			<u>\$ 125,366,111</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:

Legal:	2019	2018
Renewal and extension cash	\$ 2,949,851	\$ 5,921,637
Refundable meter deposits	3,421,204	3,078,606
Debt service sinking fund	<u>1,048,177</u>	<u>993,606</u>
Cash and investments	7,419,232	9,993,849
Receivables	8,061	154,584
Totals	<u>\$ 7,427,293</u>	<u>\$ 10,148,433</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 2019 and 2018 total \$ 11,179,875 and \$11,150,892, respectively.

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6. Deferred Outflows / Deferred Inflows of Resources

Deferred outflows and inflows consisted of the following:

	2019	2018
Deferred Outflows		
ERP pension plan (see note 9)	\$ 3,336,458	\$ 2,593,077
Bond defeasance costs	4,575,121	5,211,450
Total deferred outflows	\$ 7,911,579	\$ 7,804,527
Deferred Inflows		
ERP pension plan (see note 9)	\$ 2,423,251	\$ 2,326,918
Total deferred inflows	\$ 2,423,251	\$ 2,326,918

7. Other Long-Term Liabilities

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

	2019	2018
Total pension liability- Plan II (see note 10)	\$ 2,636,917	\$ 2,627,150
Other post employment benefits plan (see Note 12)	656,180	695,073
Total	\$ 3,293,097	\$ 3,322,223

8. Net Investment in Capital Assets

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

	2019	2018
Net capital assets	\$ 369,672,619	\$ 368,772,374
Debt related to capital assets	(125,245,268)	(132,326,111)
Debt related deferred outflows	4,575,121	5,211,450
End of year	\$ 249,002,472	\$ 241,657,713

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9. Pension – Employees Retirement Plan (ERP)

General Information about the Pension Plan

Plan Description

The Douglasville-Douglas County Water and Sewer Authority Employees Retirement Plan (the “Plan” “ERP”) is a single-employer defined benefit retirement plan which covers all full time employees of the Authority and is affiliated with the Georgia Municipal Employees Benefit System, an agent multi-employer public retirement 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, January 1, 2009, and 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 of service and early retirement is at age 55 with 10 years of service. Employees are eligible for coverage after one year of continuous service for employees hired after December 1, 1999 is 30 years. The plan was amended in January 1, 2009, and amended again on January 1, 2019 and differences in benefits are:

Employees hired before January 1, 2009: Vesting after 5 years of 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 and retiring prior to January 1, 2019: Vesting after 10 years of service, normal retirement benefits are calculated at 1 1/2 % 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 hired on or after January 1, 2009 and retiring on or after January 1, 2019: Vesting after 10 years of service, normal retirement benefits are generally calculated at 2 % per year of service based on the average of highest 60 consecutive months. Rule of 80

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early retirement benefits do apply, and there is a cost of living adjustment, but disability benefits do not apply.

Employees Covered by Benefits

Membership of the Plan reported as of the valuation report date of January 1, 2019 was:

Members of the Plan	Participants
Retirees and beneficiaries receiving benefits	88
Terminated plan members entitled to, but not yet receiving	82
Active plan members	174
Total Membership	344

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, 2019, the average active employee contribution rate was 14.5% of covered payroll. For the year ended June 30, 2018, the average active employee contribution rate was 13.9%. The Authority's cash contributions to the plan totaled \$1,320,000 for each of the years ended June 30, 2019 and 2018.

Net Pension Asset

The Authority's net pension asset was measured as of September 30, 2018, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date, with a Plan report prepared as of January 1, 2019.

Actuarial Assumptions

The total pension liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions:

Investment Rate of Return	7.5%
Projected Salary Increases	2.75% plus service based on merit increases
Inflation	2.75%
Cost of Living Adjustments	2.75% (0.0% for participants hired after 1/1/2009 and terminated prior to 1/1/2019)

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Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, Health or Disabled, 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, 2019 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 of the September 30, 2018 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%	6.40%
International equity	20%	7.40%
Real estate	10%	5.10%
Global fixed income	5%	3.03%
Domestic fixed income	20%	1.75%
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 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, 2019 and 2018

Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability(TPL)	Fiduciary Net Position(FNP)	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at September 30, 2017 (Measurement Date)	\$ 35,509,446	\$ 36,630,782	\$ (1,121,336)
Changes for the year:			
Service cost	492,463	-	492,463
Interest	2,642,969	-	2,642,969
Differences between expected and actual experience	2,052,148	-	2,052,148
Contributions - employer	-	1,320,000	(1,320,000)
Contributions - employee	-	-	-
Net investment income	-	3,627,669	(3,627,669)
Benefit payments	(1,524,634)	(1,524,634)	-
Administrative expense	-	55,518	(55,518)
Other	703,333	(111,036)	814,369
Net changes	4,366,279	3,367,517	998,762
Balances at September 30, 2018 (Measurement Date)	<u>\$ 39,875,725</u>	<u>\$ 39,998,299</u>	<u>\$ (122,574)</u>

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following presents the net pension asset of the Authority, calculated using the discount rate of 7.50 percent, as well as what the Authority's net pension asset 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)	\$4,787,577	(\$122,574)	(\$4,222,528)

Pension Plan Fiduciary Net Position

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

Douglasville-Douglas County Water and Sewer Authority
Notes to Financial Statements
June 30, 2019 and 2018

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

For the year ended June 30, 2019, the Authority recognized ERP pension plan expense of \$1,671,714. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to the pensions (all from the ERP Pension Plan) from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,346,458	\$ -
Changes of assumptions	-	(295,934)
Net difference between projected and actual earnings on pension plan investments	-	(2,127,317)
Employer contributions to pension plan after measurement date of the net pension liability	990,000	-
Total	<u>\$ 3,336,458</u>	<u>\$ (2,423,251)</u>

The value of \$990,000 reported as deferred outflows of resources related to pensions (all from the ERP Pension Plan) 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, 2020. 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>	<u>Net</u>
2020	\$ 986,602	\$ (611,955)	\$ 374,647
2021	846,819	(988,658)	(141,839)
2022	513,037	(644,615)	(131,578)
2023	-	(178,023)	(178,023)
2024	-	-	-
Thereafter	-	-	-
Subtotals	<u>2,346,458</u>	<u>(2,423,251)</u>	<u>(76,793)</u>
Employer contributions after the measurement date	990,000	-	990,000
Totals	<u>\$ 3,336,458</u>	<u>\$ (2,423,251)</u>	<u>\$ 913,207</u>

Payables to the Pension Plan

At June 30, 2019, the Authority did not have any payables to the pension plan required for the year ended June 30, 2019.

Douglasville-Douglas County Water and Sewer Authority
Notes to Financial Statements
June 30, 2019 and 2018

10. Pension – Former Executive Director – Plan II

General Information about the Pension Plan

Plan Description

The Douglasville-Douglas County Water and 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 of 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, 2019 was:

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

Douglasville-Douglas County Water and Sewer Authority
Notes to Financial Statements
June 30, 2019 and 2018

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, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the June 30, 2019 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 3.50 percent, representing the June 30, 2019 published yield for 20 year tax-exempt obligation municipal bonds with an averaging rating of AA/Aa or higher.

Changes in Total Pension Liability

	Total Pension Liability
	Increase(Decrease)
Balances at June 30, 2018 (Measurement Date)	\$ 2,627,150
Changes for the year:	
Changes in assumptions	154,429
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments	(144,662)
Administrative expense	-
Other	-
Net changes	9,767
Balances at June 30, 2019 (Measurement Date) (See Note 7)	\$ 2,636,917

Douglasville-Douglas County Water and Sewer Authority
Notes to Financial Statements
June 30, 2019 and 2018

The following table presents the total pension liability of the Authority's Plan II, calculated using the discount rate of 3.50 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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current rate:

	Current Discount Rate	1% Increase
1% Decrease 2.50%	3.50%	4.50%
Authority's Net Pension Liability (Asset)	\$2,636,917	\$2,376,292

At June 30, 2019, the Authority did not have any payables related to Plan II for the year ended June 30, 2019. The required supplementary information immediately following the notes to the financial statements presents multi-year trend information on total pension liability and pension contributions. There were no deferred outflows or inflows of resources for this plan as of June 30, 2019 and 2018.

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, 2019.

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 Account 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.

Douglasville-Douglas County Water and Sewer Authority
Notes to Financial Statements
June 30, 2019 and 2018

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 Executive Director providing supplemental retirement benefits. The GASB 75 actuarial accrued total OPEB liability as of June 30, 2019 and 2018 was \$656,180 and \$695,073, respectively. 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, 2019 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	-
Total Membership	<u>2</u>

Douglasville-Douglas County Water and Sewer Authority
Notes to Financial Statements
June 30, 2019 and 2018

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, 2019 and June 30, 2018, 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 \$34,243 (2019) and \$40,631 (2018).

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 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 3.50 percent, representing the June 30, 2019 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 <u>Increase(Decrease)</u>
Balance at June 30, 2018 (Measurement Date)	\$ 695,073
Changes for the year:	
Service cost	-
Interest	-
Changes in assumptions	(4,650)
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments	(34,243)
Administrative expense	-
Other	-
Net changes	<u>(38,893)</u>
Balance at June 30, 2019 (Measurement Date)(See Note 7)	<u><u>\$ 656,180</u></u>

Douglasville-Douglas County Water and Sewer Authority
Notes to Financial Statements
June 30, 2019 and 2018

The following presents the total OPEB liability of the Authority's OPEB plan, calculated using the discount rate of 3.50 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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current rate:

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Authority's Total OPEB Liability	\$722,172	\$656,180	\$597,085

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	\$602,017	\$656,180	\$715,366

At June 30, 2019, the Authority did not have any payable related to the plan for the year ended June 30, 2019. There were no deferred outflows or inflows of resources for this plan as of June 30, 2019 and 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, 2019.

Douglasville-Douglas County Water and Sewer Authority
Notes to Financial Statements
June 30, 2019 and 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, 2019 and 2018, outstanding construction commitments of approximately \$3,600,000 and \$1,945,109 respectively.

Litigation

As of June 30, 2019 and 2018, there were no pending or threatened litigation, claims, or assessment 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, 2019 and 2018

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

	2019	2018	2017	2016	2015
Total pension liability					
Service costs	\$ 492,463	\$ 557,113	\$ 515,299	\$ 554,862	\$ 672,716
Interest	2,642,969	2,505,519	2,331,786	2,103,522	2,030,570
Difference between expected and actual experience	2,052,148	1,335,128	559,132	1,288,658	(50,787)
Changes of assumptions	-	-	-	-	(878,454)
Benefit payments	(1,524,634)	(1,251,452)	(1,077,543)	(925,853)	(739,608)
Other	703,333	(591,867)	-	-	-
Net change in total pension liability	4,366,279	2,554,441	2,328,674	3,021,189	1,034,437
Total pension liability - beginning	35,509,446	32,955,005	30,626,331	27,605,142	26,570,705
Total pension liability - ending (a)	<u>\$ 39,875,725</u>	<u>\$ 35,509,446</u>	<u>\$ 32,955,005</u>	<u>\$ 30,626,331</u>	<u>\$ 27,605,142</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 1,320,000	\$ 1,235,918	\$ 1,125,009	\$ 1,174,983	\$ 1,210,916
Net investment income	3,627,669	4,802,662	3,204,252	307,810	2,854,007
Benefit payments	(1,524,634)	(1,251,452)	(1,077,543)	(925,853)	(739,608)
Administrative expense and other	(55,518)	(62,412)	(34,041)	(38,347)	(29,984)
Net change in fiduciary net position	3,367,517	4,724,716	3,217,677	518,593	3,295,331
Plan fiduciary net position - beginning	36,630,782	31,906,066	28,688,389	28,169,796	24,874,465
Plan fiduciary net position - ending (b)	<u>\$ 39,998,299</u>	<u>\$ 36,630,782</u>	<u>\$ 31,906,066</u>	<u>\$ 28,688,389</u>	<u>\$ 28,169,796</u>
Net pension liability (asset) - ending (a) - (b)	\$ (122,574)	\$ (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)	100.31%	103.16%	96.82%	93.67%	102.05%
Covered payroll	\$ 9,075,345	\$ 8,912,981	\$ 9,045,724	\$ 8,127,882	\$ 7,573,393
Net pension liability as a % of covered payroll	-1.35%	-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, 2019 and 2018

Schedule of Pension Contributions - ERP Plan

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 885,080	\$ 913,843	\$ 872,444	\$ 775,075	\$ 928,608
Contributions in relation to the actuarially determined contribution	1,320,000	1,320,000	1,200,024	1,100,004	1,199,977
Contribution deficiency (excess)	<u>\$ (434,920)</u>	<u>\$ (406,157)</u>	<u>\$ (327,580)</u>	<u>\$ (324,929)</u>	<u>\$ (271,369)</u>
Covered payroll	\$ 10,417,854	\$ 9,932,271	\$ 9,694,924	\$ 9,446,108	\$ 9,043,664
Contributions as a percentage of covered payroll	12.67%	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	The actuarially determined contribution was determined as of January 1, 2019, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution will be reported for the fiscal year ending June 30, 2020.
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% (0% for participants hired after 1/1/2009 with termination prior to 1/1/19.)
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, 2019, employees who terminate employment on or after January 1, 2019 are eligible to retire under the Rule of 80, receive a 2% benefit formula(3% for Deputy Directors and 4% for Executive Directors) and are eligible for a COLA.

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, 2019 and 2018

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

	2019	2018	2017
Total pension liability			
Total pension liability - beginning of fiscal year July 1	\$ 2,627,150	\$ 2,743,219	\$ 3,086,636
Changes of assumptions	154,429	13,058	(214,290)
Benefit payments	(144,662)	(129,127)	(129,127)
Net change in total pension liability	9,767	(116,069)	(343,417)
Total pension liability - end of fiscal year June 30	<u>\$ 2,636,917</u>	<u>\$ 2,627,150</u>	<u>\$ 2,743,219</u>
 Plan Fiduciary Net Position			
Plans fiduciary net position as a percentage of the total pension	None	None	None
Covered payroll	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	None	None	None
	N/A	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, 2019 and 2018

Schedule of Changes in the Total OPEB Liability and Related Ratios

	2019	2018	2017
Total OPEB Liability:			
Total OPEB liability - beginning	\$ 695,073	\$ 586,360	\$ 606,123
Changes of assumptions or other inputs	(4,650)	149,344	15,648
Benefit payments	(34,243)	(40,631)	(35,411)
Net change in total OPEB liability	(38,893)	108,713	(19,763)
Total OPEB liability - ending	<u>\$ 656,180</u>	<u>\$ 695,073</u>	<u>\$ 586,360</u>
OPEB Ratios:			
Total OPEB liability	\$ 656,180	\$ 695,073	\$ 586,360
Covered payroll	\$ -	\$ -	\$ -
Ratio OPEB liability to covered payroll	N/A	N/A	N/A
Change of benefit terms	none	none	none
Change of population covered	none	none	none
Change in assumptions	none	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.

**ADDITIONAL SCHEDULES OF
INDIVIDUAL ACCOUNTS**

Douglasville-Douglas County Water & Sewer Authority

OPERATING ACCOUNTS

SCHEDULE 1

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>2019</u>	<u>2018</u>	<u>Variance</u> <u>Amount</u>	<u>Percent</u>
Operating Revenues				
Operating Revenue - Water	\$ 25,865,133	\$ 26,096,775	\$ (231,642)	-0.89%
Operating Revenue - Sewer	13,927,840	14,206,896	(279,056)	-1.96%
Operating Revenue - Stormwater	4,672,139	4,476,451	195,688	4.37%
Reuse Revenue	278,988	256,582	22,406	8.73%
Inspection Fees	31,325	31,450	(125)	-0.40%
Soil and Erosion Control Fees	31,354	55,708	(24,354)	-43.72%
Cut Off Charges	548,019	534,182	13,837	2.59%
Sale of Materials and Supplies	26,774	28,509	(1,735)	-6.09%
Miscellaneous Revenues	572,216	386,168	186,048	48.18%
Penalties	1,472,547	1,290,967	181,580	14.07%
Dog River Recreational Complex	18,254	15,990	2,264	14.16%
Total Operating Revenues	47,444,589	47,379,678	64,911	0.14%
Bad Debt Expense	(321,567)	(478,382)	156,815	-32.78%
Net Operating Revenues	\$ 47,123,022	\$ 46,901,296	\$ 221,726	0.47%

Douglasville-Douglas County Water & Sewer Authority

OPERATING ACCOUNTS

SCHEDULE 2

SUMMARY OF RESTRICTED ASSETS AND RELATED PAYABLES

June 30, 2019

	Renewal and Extension Account	Debt Service Accounts	Other Deposit & Operating Accounts	Total All Restricted Accounts
Restricted Cash and Investments:				
Cash & Cash Equivalents:				
Checking - R & E Account	\$ 2,949,851	\$ -	\$ -	\$ 2,949,851
Meter Deposits Accounts	-	-	3,421,204	3,421,204
	2,949,851	-	3,421,204	6,371,055
Investments:				
LGIP (Georgia Fund 1)	-	1,048,177	-	1,048,177
Restricted Receivables	8,061	-	-	8,061
Total Restricted Assets	\$ 2,957,912	\$ 1,048,177	\$ 3,421,204	\$ 7,427,293
Liabilities from Restricted Assets:				
Accounts Payable	\$ 353,522	\$ -	\$ -	\$ 353,522
Customer Deposits:				
Deposit Refunds	-	-	2,546,351	2,546,351
Unclaimed Refunds	-	-	6,006	6,006
Performance Deposits	929,425	-	-	929,425
Customer Credit Balances	-	-	305,738	305,738
	929,425	-	2,858,095	3,787,520
Accrued Interest Revenue Bonds	-	329,285	-	329,285
Unearned Revenue	-	-	1,147,050	1,147,050
Total Liabilities From Rest. Accounts	\$ 1,282,947	\$ 329,285	\$ 4,005,145	\$ 5,617,377
Net Restricted Position	\$ 1,674,965	\$ 718,892	None	N/A

STATISTICAL

SECTION

(unaudited)

Douglasville-Douglas County Water and Sewer Authority

STATISTICAL SECTION Table of Contents and Comments

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.

	Table
Financial Trends	1 - 2
These schedules contain trend information to help the reader understand how the Authority's financial performance has changed over time.	
Revenue Capacity	3 - 5
These schedules contain trend information to help the reader assess the Authority's most significant local revenue source.	
Debt Service and Debt Capacity	6 - 9
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.	
Demographic and Economic Information	10 - 11
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.	
Operational Information	12 - 15
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.	

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

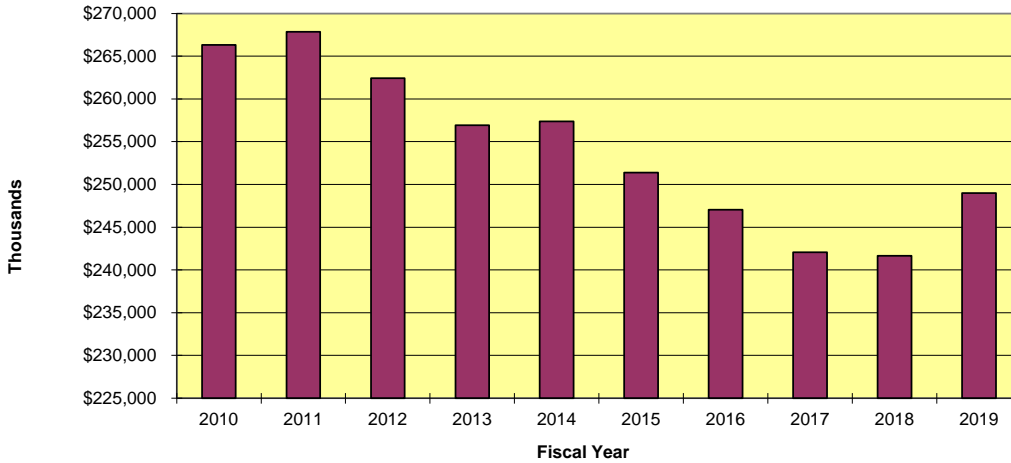
Financial Trends

TABLE 1

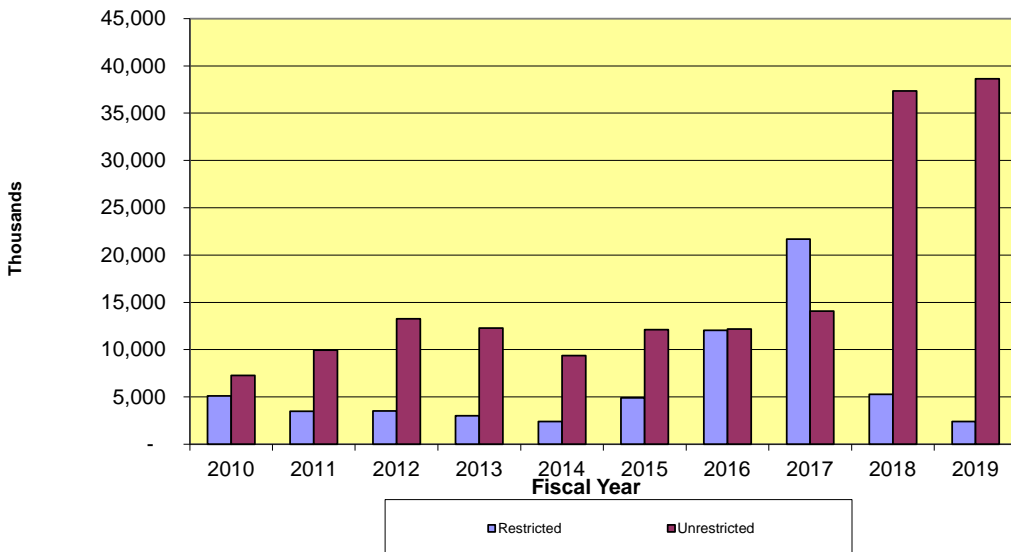
Net Position by Component Last Ten Fiscal Years (amount expressed in thousands)

Fiscal Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Enterprise Fund										
Net Invested in capital assets	\$ 266,325	\$ 267,838	\$ 262,407	\$ 256,938	\$ 257,377	\$ 251,395	\$ 247,045	\$ 242,075	\$ 241,658	\$ 249,002
Restricted	5,092	3,486	3,501	3,001	2,405	4,905	12,040	21,679	5,266	2,394
Unrestricted	7,268	9,935	13,248	12,287	9,365	12,110	12,184	14,076	37,361	38,627
Total business-type activities net position	\$ 278,685	\$ 281,259	\$ 279,156	\$ 272,226	\$ 269,147	\$ 268,410	\$ 271,269	\$ 277,830	\$ 284,285	\$ 290,023

Net Investment in Capital Assets



Restricted and Unrestricted



Douglasville-Douglas County Water and Sewer Authority

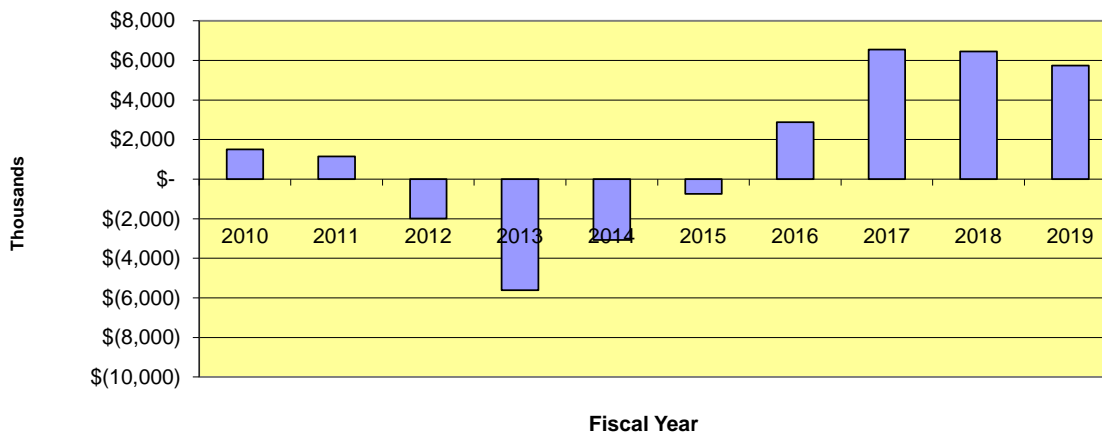
Financial Trends

TABLE 2

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

Fiscal Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating Revenues										
Charges for services	\$ 35,220	\$ 36,596	\$ 36,765	\$ 37,112	\$ 38,831	\$ 40,853	\$ 43,113	\$ 45,697	\$ 46,088	\$ 45,972
Penalties	1,103	924	1,054	1,070	1,206	1,180	1,079	1,096	1,291	1,472
Charges to bad debt allowance	(478)	(442)	(390)	(340)	(340)	(340)	(411)	(220)	(478)	(321)
Total operating revenues	35,845	37,078	37,429	37,842	39,697	41,693	43,781	46,573	46,901	47,123
Operating Expenses										
Employment costs	\$ 11,837	\$ 10,931	\$ 10,460	\$ 10,993	\$ 11,449	\$ 10,437	\$ 10,948	\$ 11,554	\$ 11,897	\$ 13,357
Repairs and maintenance	2,894	2,075	2,069	2,468	2,091	2,271	2,377	2,311	2,505	2,621
Supplies and materials	952	901	914	972	1,029	1,115	1,146	1,316	1,473	1,547
Depreciation	14,759	15,069	16,702	18,227	18,321	18,579	18,614	17,999	17,968	17,441
Utilities	2,960	2,892	3,070	3,172	3,257	3,256	2,985	2,902	2,815	3,029
Water and sewer services purchased	426	429	511	761	595	300	322	735	1,065	1,782
Administration	1,423	1,491	1,666	1,764	1,820	1,788	1,911	1,525	1,481	1,533
Total operating expenses	35,251	33,788	35,392	38,357	38,562	37,746	38,303	38,342	39,204	41,310
Non-Operating Revenue (expenses)										
Investment income	238	169	115	127	102	100	171	265	320	384
Interest expense	(7,469)	(6,263)	(7,457)	(7,319)	(6,339)	(5,868)	(5,135)	(5,132)	(4,900)	(4,637)
Other non-operating revenue (expense)	(105)	(2,581)	(870)	(528)	(356)	(1,158)	(973)	19	124	212
Net non-operating revenue	(7,336)	(8,675)	(8,212)	(7,720)	(6,593)	(6,926)	(5,937)	(4,848)	(4,456)	(4,041)
Change in net position before capital contributions and restatement	(6,742)	(5,385)	(6,175)	(8,235)	(5,458)	(2,979)	(459)	3,383	3,241	1,772
Capital contributions	8,249	6,534	4,188	2,615	2,379	4,290	3,318	3,164	3,214	3,966
Restatement	-	-	-	-	-	(2,049)	13	-	-	-
Increase (decrease) in net position	\$ 1,507	\$ 1,149	\$ (1,987)	\$ (5,620)	\$ (3,079)	\$ (738)	\$ 2,872	\$ 6,547	\$ 6,455	\$ 5,738

Increase (Decrease) in Net Position



Douglasville-Douglas County Water and Sewer Authority

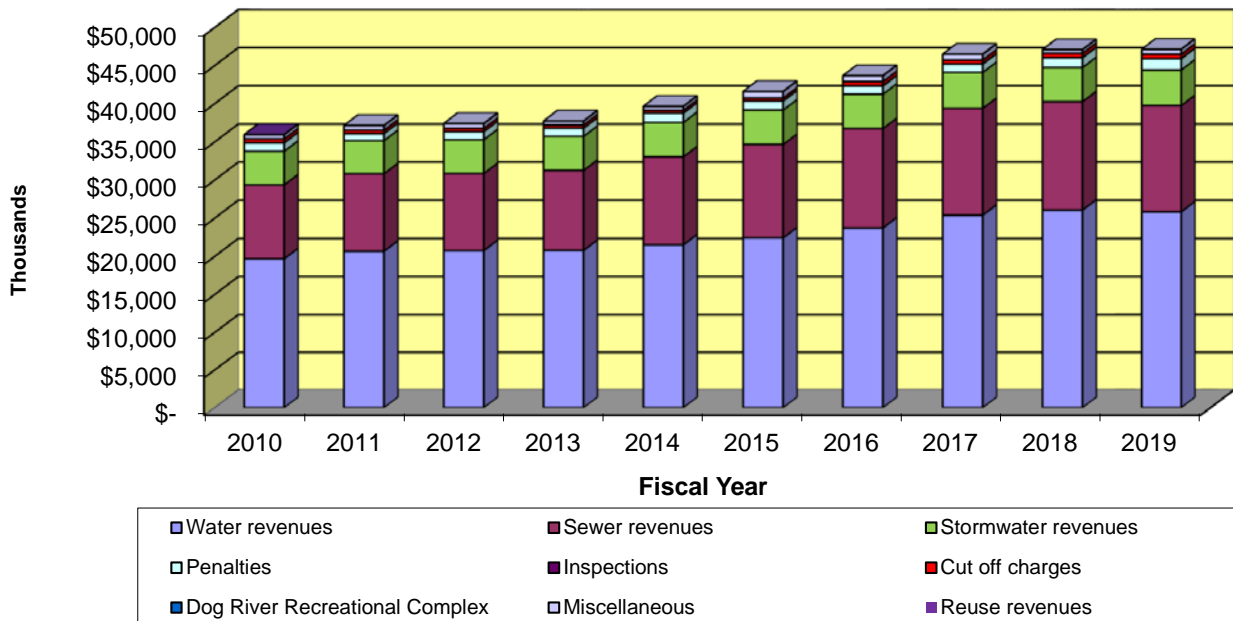
Revenue Capacity

TABLE 3

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

Fiscal Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating Revenues										
Water revenues	\$ 19,721	\$ 20,707	\$ 20,796	\$ 20,823	\$ 21,552	\$ 22,469	\$ 23,770	\$ 25,422	\$ 26,097	\$ 25,865
Sewer revenues	9,685	10,164	10,102	10,483	11,534	12,235	13,021	14,006	14,207	13,928
Stormwater revenues	4,408	4,340	4,431	4,462	4,505	4,501	4,493	4,712	4,476	4,670
Reuse revenues	334	337	380	422	355	399	492	270	257	279
Penalties	1,103	924	1,054	1,070	1,206	1,180	1,079	1,096	1,291	1,473
Inspections	11	5	8	16	16	19	25	34	31	31
Cut off charges	496	422	409	401	345	363	532	489	534	548
Dog River Recreational Complex	17	26	20	19	20	20	19	15	16	18
Miscellaneous	548	595	619	486	504	848	761	749	470	632
Total operating revenues	\$ 36,323	\$ 37,520	\$ 37,819	\$ 38,182	\$ 40,037	\$ 42,034	\$ 44,192	\$ 46,793	\$ 47,379	\$ 47,444
Bad debt expense	478	442	390	340	340	341	411	220	478	321
Net operating revenue	\$ 35,845	\$ 37,078	\$ 37,429	\$ 37,842	\$ 39,697	\$ 41,693	\$ 43,781	\$ 46,573	\$ 46,901	\$ 47,123

Operating Revenue by Source



Douglasville-Douglas County Water and Sewer Authority

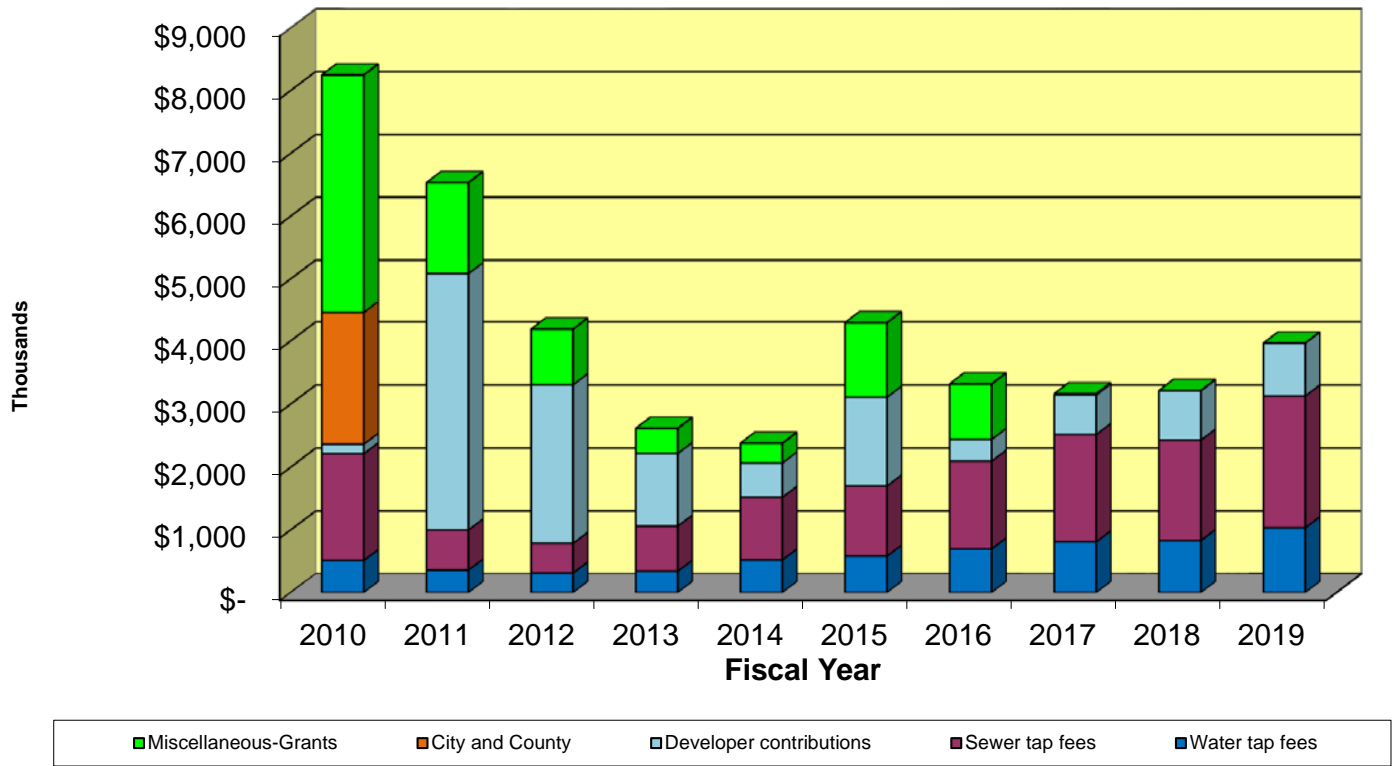
Revenue Capacity

TABLE 4

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

Fiscal Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Capital Contributions										
Water tap fees	\$ 515	\$ 360	\$ 313	\$ 342	\$ 523	\$ 583	\$ 699	\$ 812	\$ 832	\$ 1,035
Sewer tap fees	1,700	641	475	720	1,001	1,121	1,397	1,707	1,598	2,095
Developer contributions	150	4,085	2,518	1,156	543	1,406	345	628	782	836
City and County	2,089	-	-	-	-	-	-	-	-	-
Miscellaneous-Grants	3,795	1,448	882	397	312	1,180	877	17	2	-
Total capital contributions	\$ 8,249	\$ 6,534	\$ 4,188	\$ 2,615	\$ 2,379	\$ 4,290	\$ 3,318	\$ 3,164	\$ 3,214	\$ 3,966

Capital Contributions by Source



Douglasville-Douglas County Water and Sewer Authority

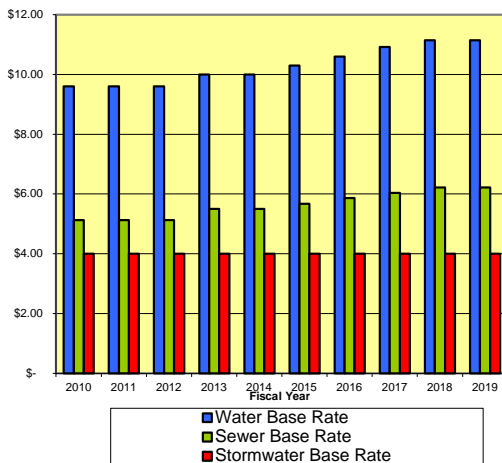
Revenue Capacity

TABLE 5

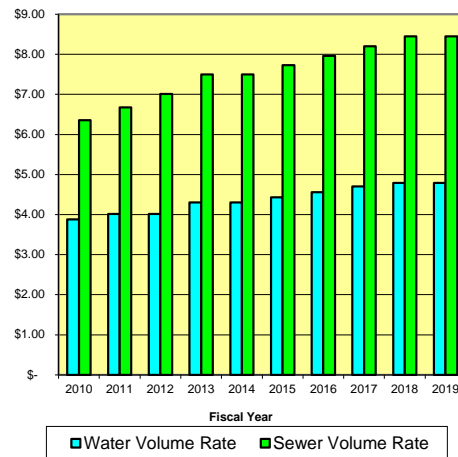
Water, Sewer and Stormwater Rates Last Ten Fiscal Years

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
2010	\$ 9.60	\$ 3.88 ⁽¹⁾	\$ 5.13	\$ 6.36	\$ 4.00
2011	\$ 9.60	\$ 4.02 ⁽¹⁾	\$ 5.13	\$ 6.68	\$ 4.00
2012	\$ 9.60	\$ 4.02 ⁽¹⁾	\$ 5.13	\$ 7.01	\$ 4.00
2013	\$ 10.00	\$ 4.30 ⁽¹⁾	\$ 5.50	\$ 7.50	\$ 4.00
2014	\$ 10.00	\$ 4.30 ⁽¹⁾	\$ 5.50	\$ 7.50	\$ 4.00
2015	\$ 10.30	\$ 4.43 ⁽¹⁾	\$ 5.67	\$ 7.73	\$ 4.00
2016	\$ 10.60	\$ 4.56 ⁽¹⁾	\$ 5.86	\$ 7.96	\$ 4.00
2017	\$ 10.92	\$ 4.70 ⁽¹⁾	\$ 6.04	\$ 8.20	\$ 4.00
2018	\$ 11.14	\$ 4.79 ⁽¹⁾	\$ 6.22	\$ 8.45	\$ 4.00
2019	\$ 11.14	\$ 4.79 ⁽¹⁾	\$ 6.22	\$ 8.45	\$ 4.00

Base Rate History



Volume Rate History



Notes:

⁽¹⁾ 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
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
2019	\$ 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 WSA household meter size.

Douglasville-Douglas County Water and Sewer Authority

Debt Service and Capacity

TABLE 6

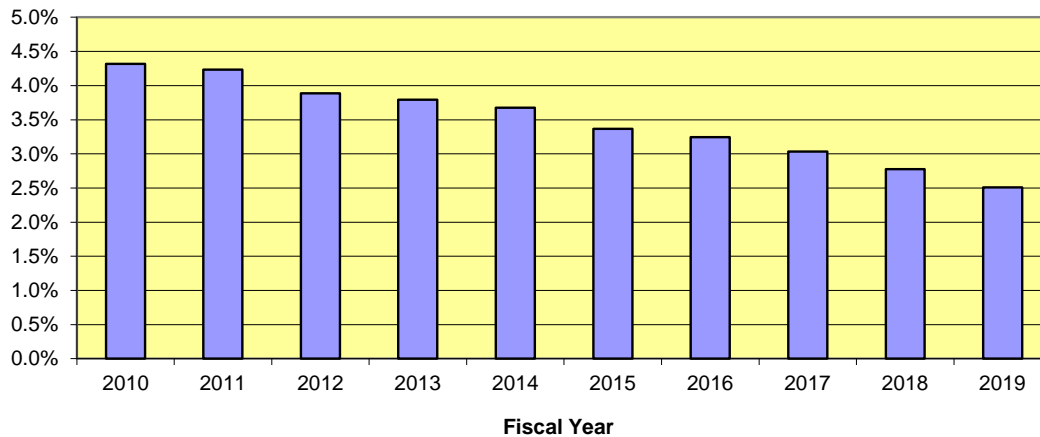
Ratio of Revenue Bonded Debt Outstanding Last Ten Fiscal Years

(amount expressed in thousands except per capita amounts)

<u>Fiscal Year</u>	<u>Revenue Bonds (1)</u>	<u>Less Debt Service Fund (2)</u>	<u>Total</u>	<u>Per Capita (3)</u>	<u>Percentage Of Personal Income (3)</u>
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% (4)
2019	125,245	(719)	124,526	857	2.5% (4)

(1) Bond total net of premiums/discounts. (2) less accrued interest. (3) See the Schedule of Demographic and Economic Statistics for personal income and population data. (4) 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

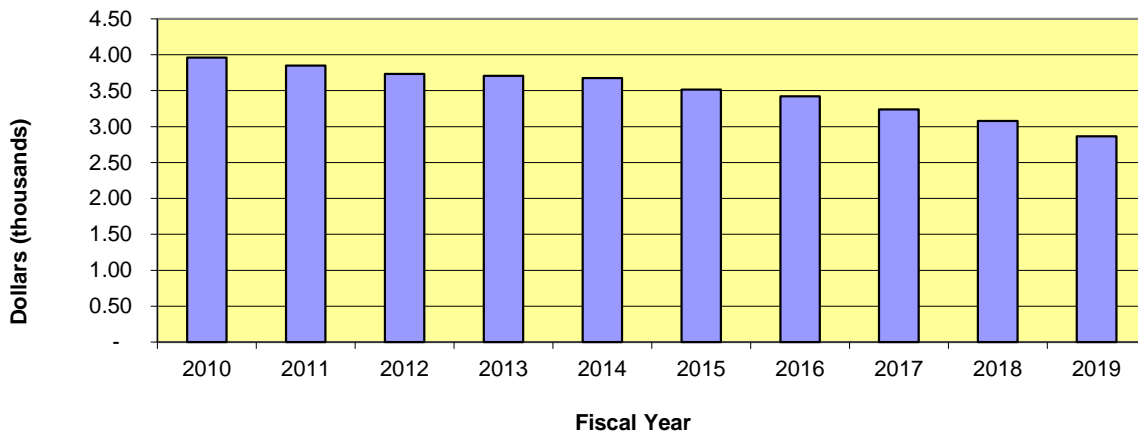
(amount expressed in thousands except per capita amounts)

Fiscal Year	Revenue Bonds	Loans Notes	Total Outstanding Debt	Debt To Number of Customers	Debt Per Capita*	Debt As Share Of Personal Income
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	132,326	-	132,326	3.08	920	2.8%
2019	125,245	-	125,245	2.87	862	2.5%

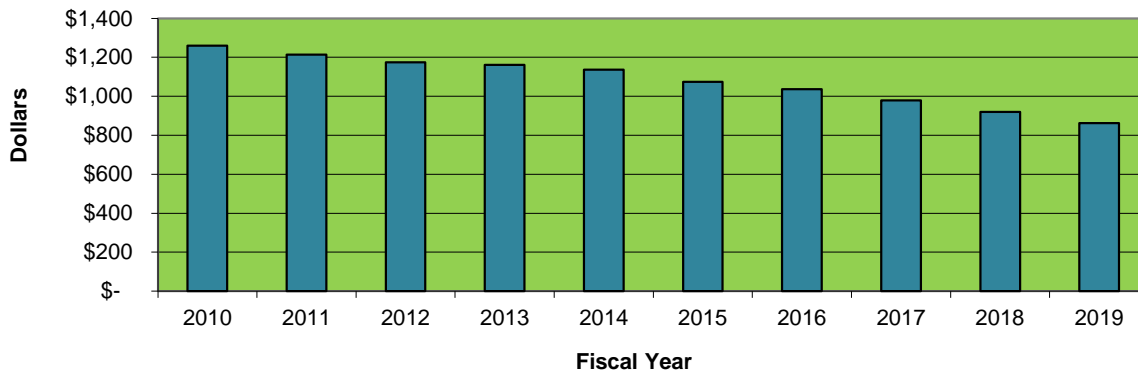
* Note: Based on Previous Year Demographic Data - current year unavailable.

Sources: Bureau of Economic Analysis

Debt to Number of Customers



Debt Per Capita



Douglasville-Douglas County Water and Sewer Authority

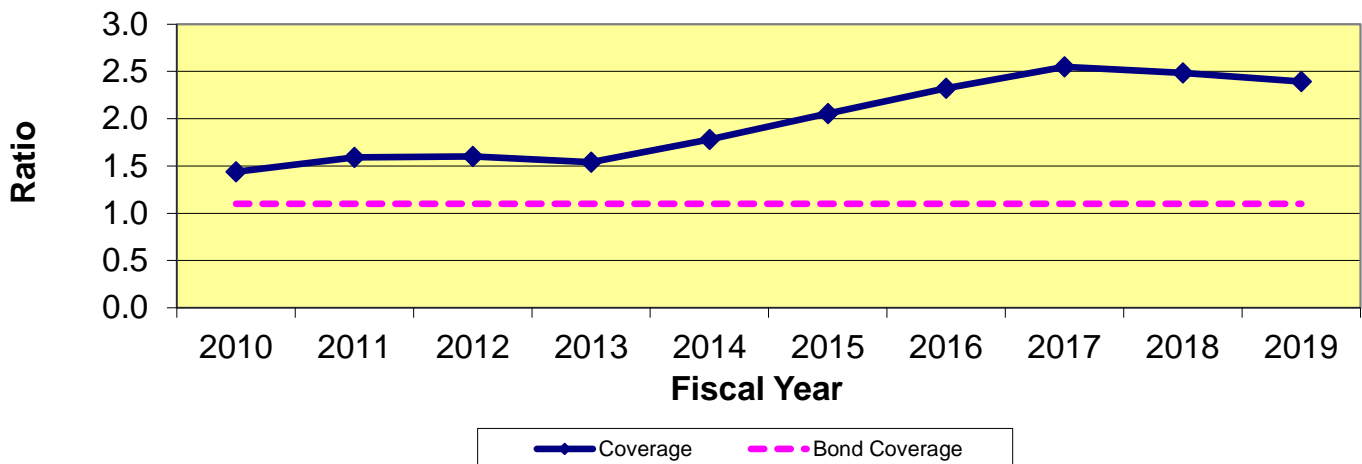
Debt Service and Capacity

TABLE 8

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

Fiscal Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Gross Revenues	\$ 35,845	\$ 37,078	\$ 37,429	\$ 37,842	\$ 39,697	\$ 41,693	\$ 43,781	\$ 46,573	\$ 46,901	\$ 47,123
Service Charges										
Total Interest Income	238	169	115	127	102	100	171	265	320	384
Tap Fees Connection Charges	2,215	1,001	788	1,062	1,524	1,704	2,096	2,519	2,430	3,130
Gross Total Revenues	38,298	38,248	38,332	39,031	41,323	43,497	46,048	49,357	49,651	50,637
Less Operating Expenses Excluding Depreciation	20,492	18,719	18,690	20,130	20,241	19,167	19,689	20,343	21,236	23,869
Less Deferred Interest Income and Revenue	82	19	18	16	9	8	-	-	-	-
Less Interest Income in the Construction	113	34	7	8	5	-	-	-	-	-
Net Earnings Available	\$ 17,611	\$ 19,476	\$ 19,617	\$ 18,877	\$ 21,068	\$ 24,322	\$ 26,359	\$ 29,014	\$ 28,415	\$ 26,768
Maximum Annual Debt Service¹										
Principal	\$ 9,300	\$ 9,300	\$ 9,300	\$ 9,300	\$ 8,380	\$ 8,380	\$ 8,535	\$ 6,695	\$ 6,960	\$ 6,960
Interest	2,951	2,951	2,951	2,951	3,456	3,456	2,813	4,687	4,478	4,220
Total Maximum Annual Debt Service¹	\$ 12,251	\$ 12,251	\$ 12,251	\$ 12,251	\$ 11,836	\$ 11,836	\$ 11,348	\$ 11,382	\$ 11,438	\$ 11,180
Coverage Ratio	1.4	1.6	1.6	1.5	1.8	2.1	2.3	2.5	2.5	2.4

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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net Earnings Available (Table 8)	\$ 17,611	\$ 19,476	\$ 19,617	\$ 18,877	\$ 21,068	\$ 24,322	\$ 26,359	\$ 29,014	\$ 28,415	\$ 26,768
Legal Debt Service Limit	16,010	17,705	17,834	15,731	17,557	20,268	21,966	24,178	23,679	22,307
Total MAD debt applicable to limit	12,251	12,251	12,251	12,251	11,836	11,836	11,348	11,382	11,438	11,180
Legal MAD debt margin	\$ 3,759	\$ 5,454	\$ 5,583	\$ 3,480	\$ 5,721	\$ 8,432	\$ 10,618	\$ 12,796	\$ 12,241	\$ 11,127
Total MAD debt applicable to the limit as a percentage of debt limit	76.5%	69.2%	68.7%	77.9%	67.4%	58.4%	51.7%	47.1%	48.3%	50.1%

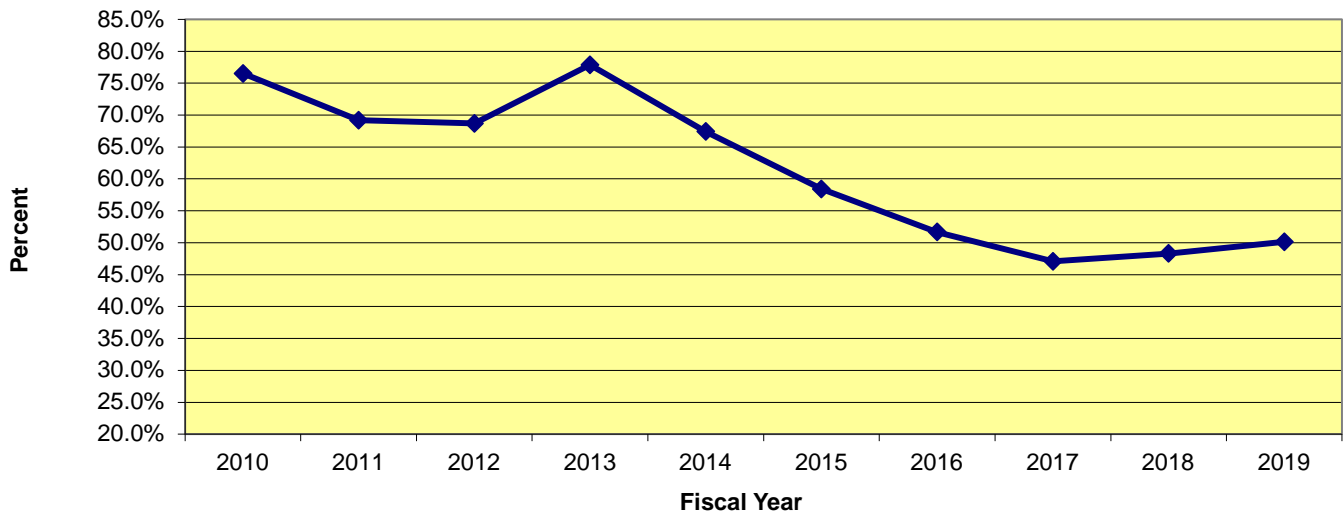
Notes:

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)
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)	4,913,103	34,147	36.3	26,441	4.2%
2018	145,331 (2)	**	**	**	26,555	3.9%

(1) Source: Bureau of Economic Analysis (latest year published is 2017)

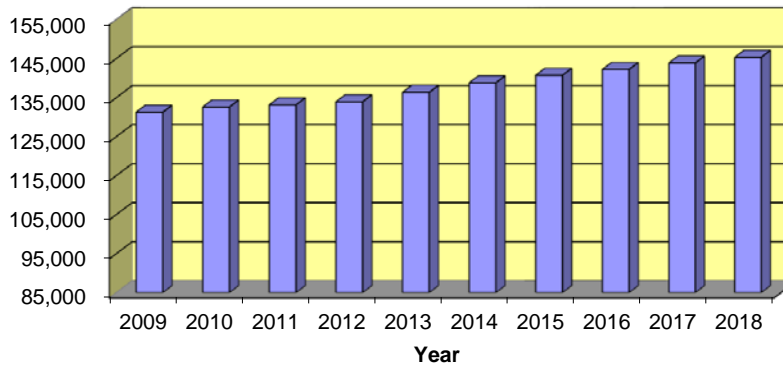
** Information for 2018 was not available as of June 30, 2019.

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

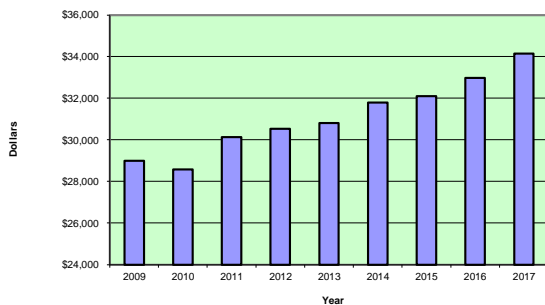
(3) Source: Georgia Department of Education, enrollment as of October each year.

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

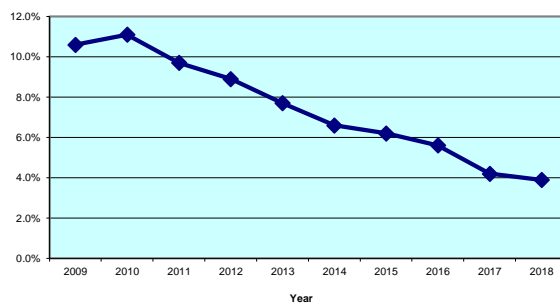
Population of Douglas County



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

2019				
Employer	Type of Business	Employees	Rank	Percentage of Total County Employment
Douglas County School System	Government	3,358	1	5.1%
Douglas County Government	Government	1,328	2	2.0%
Silver Line Building Products Corp.	Building products	1,000	3	1.5%
WellStar Douglas Hospital	Healthcare	800	4	1.2%
Google	Information technology	500	5	0.8%
Southwire	Wire and Cable Manufacturer	400	6	0.6%
Gordon Food Service	Food Service Distributor	300	7	0.4%
KeHe	Distributor	270	8	0.4%
ResMed	Medical Equipment Company	200	9	0.3%
DeNyse	National Sign Company	125	10	0.2%
Total Principal Employment		8,281		12.5%
Other Employees		58,140		87.5%
Total County Employment		66,421		100.0%

2010				
Employer	Type of Business	Employees	Rank	Percentage of Total County Employment
Douglas County School System	Government	3,365	1	5.3%
Silver Line Building Products Corp.	Building products	844	2	1.3%
Douglas County Government	Government	800	3	1.3%
WellStar Douglas Hospital	Healthcare	720	4	1.1%
American Red Cross Blood Services	Healthcare	500	5	0.8%
Youth Villages, Inc	Youth Healthcare	456	6	0.7%
APL Logistics	International Transportation	400	7	0.6%
		N/A	8	N/A
		N/A	9	N/A
		N/A	10	N/A
Total Principal Employment		7,085		11.1%
Other Employers		56,635		88.9%
Total County Employment		63,750		100.0%

Sources: Douglasville Development Authority, City of Douglasville Development Authority, Douglas County Public Schools
 2010 Information from Douglas County only top seven information available

Douglasville-Douglas County Water and Sewer Authority

Operational Information

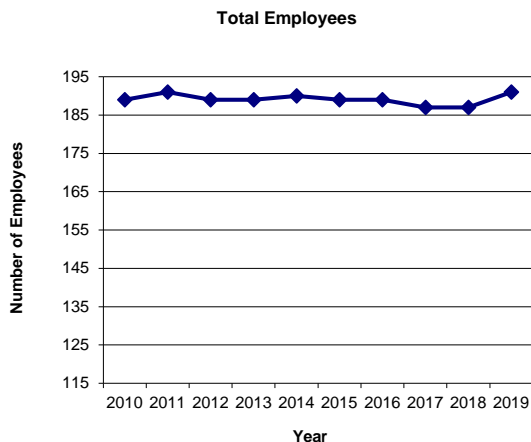
TABLE 12

Full-Time Equivalent Water and Sewer Authority Employees

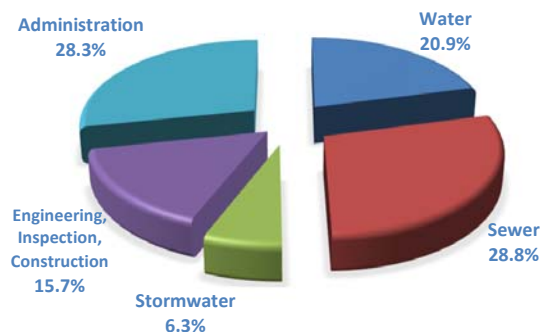
Employees by Function

Fiscal Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
WATER:										
Water Plant Operations	14	14	15	15	15	15	15	15	15	15
Water Operations Maintenance	3	3	3	4	4	4	4	4	4	4
Water Systems Maintenance	27	19	16	15	15	15	15	15	15	18
Reservoir Staff	2	2	2	3	2	3	3	3	3	3
WATER TOTAL	46	38	36	37	36	37	37	37	37	40
SEWER:										
Sewer Plant Operations	23	23	23	24	23	23	23	23	23	22
Sewer Operations Maintenance	9	14	13	11	13	13	13	13	14	14
Sewer Systems Maintenance	21	16	16	16	17	16	16	16	16	19
SEWER TOTAL	53	53	52	51	53	52	52	52	53	55
ENGINEERING/INSPECTION/ CONSTRUCTION:										
Engineering	13	12	12	12	12	12	12	10	10	11
Inspections	7	7	7	7	7	8	8	8	8	8
Construction	11	15	15	15	15	14	14	14	14	11
ENG/INSP/CONS TOTAL	31	34	34	34	34	34	34	32	32	30
STORMWATER:										
STORMWATER TOTAL	12	13	13	13	11	12	12	12	11	12
ADMINISTRATION:										
Billing/Customer Service	14	16	16	16	17	17	16	15	16	15
Meter Reading	10	11	12	12	12	13	14	14	13	13
Human Resources	9	12	12	11	12	12	12	12	12	12
Finance & Accounting	7	7	7	7	6	4	4	4	4	5
MIS	3	3	3	4	4	4	4	5	5	5
Executive Administration	4	4	4	4	5	4	4	4	4	4
ADMINISTRATION TOTAL	47	53	54	54	56	54	54	54	54	54
TOTAL EMPLOYEES	189	191	189	189	190	189	189	187	187	191

Source: Authority's Payroll Records



TOTAL EMPLOYEE PERCENTAGE BY SUB CATEGORY FISCAL YEAR 2019



Douglasville-Douglas County Water and Sewer Authority

Operational Information

TABLE 13

Operating Indicators - Demand and Service Levels Last Ten Fiscal Years

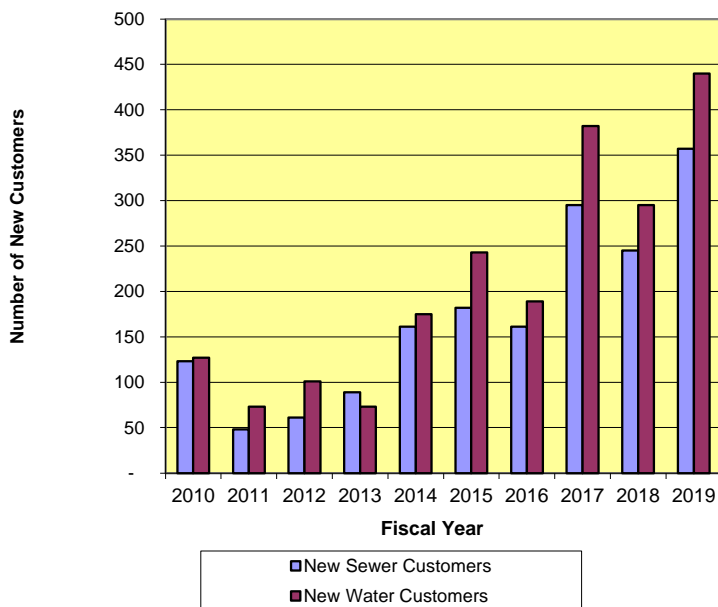
Fiscal Year	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Demand or Level of Service</u>										
Water										
Total customers	41,744	41,817	41,918	41,991	42,166	42,409	42,598	42,980	43,275	43,715
New customers	127	73	101	73	175	243	189	382	295	440
Water main breaks	113	154	147	184	178	131	152	136	163	135
⁽¹⁾ Average daily consumption (thousands of gallons)	8,623	8,862	8,949	8,659	8,571	8,804	9,227	9,620	9,626	9,531
Sewer										
Total customers	17,673	17,721	17,782	17,871	18,032	18,214	18,375	18,670	18,915	19,272
New customers	123	48	61	89	161	182	161	295	245	357
Average daily sewer treatment (thousands of gallons)	6,038	5,255	4,794	5,274	5,456	5,087	6,104	5,420	5,629	6,428
Stormwater										
Total customers	42,636	42,684	42,738	43,108	43,299	43,498	43,708	44,084	44,355	44,742
New customers	131	48	54	370	191	199	210	376	271	387

Notes:

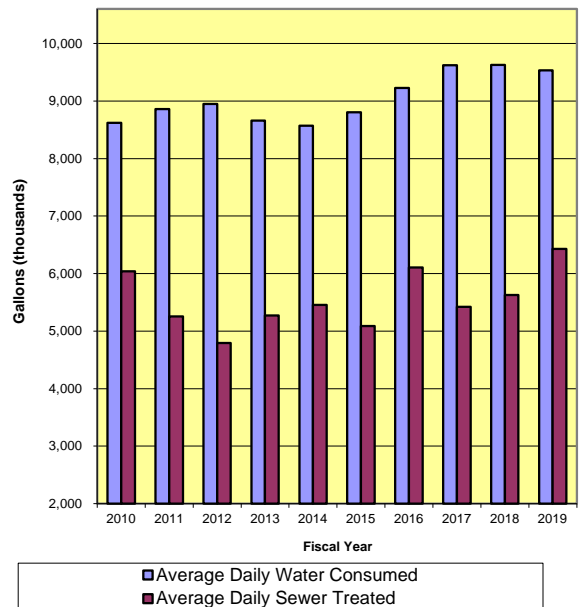
(1) During the period 2002 through 2007 consumption was increased due to the City of Villa Rica purchasing an average of 345 thousand gallons per day.

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>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>	<u>2019</u>
Capital Assets										
Water										
Water main miles	921	927	929	929	930	931	931	938	939	942
Fire hydrants	6,347	6,471	6,524	6,545	6,765	6,796	6,798	7,020	7,038	7,085
Maximum daily design capacity (thousands of gallons)	16,400	16,400	23,940	23,940	23,940	23,940	23,940	23,940	23,940	23,940
Average daily water production (thousands of gallons)	10,841	10,941	11,015	10,753	10,651	11,016	11,203	11,772	11,537	11,630
Storage capacity - clear wells and water tanks (thousands of gallons)	11,775	11,775	14,775	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
Sewer										
Sanitary sewer miles	440	442	450	450	459	461	461	468	470	473
Maximum daily design treatment capacity (thousands of gallons)	10,140	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)	6,038	5,255	4,794	5,274	5,456	5,087	6,104	5,420	5,629	5,629
Stormwater										
Storm sewer lines	112	115	120	120	120	120	120	121	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	2019			2010		
	Water Revenue	Rank	% of Water Revenue	Water Revenue	Rank	% of Water Revenue
Water Customers						
DC Board of Education	\$ 508,423	1	1.96%			
Grove Skyview LTD	313,588	2	1.21%	\$ 208,167	2	1.06%
Douglas County Jail	216,380	3	0.84%	131,300	4	0.67%
WellStar Hospital	180,617	4	0.70%	98,362	10	0.50%
Pinnacle Homes at Rocky Ridge	169,997	5	0.66%			
Sevo Miller, Inc. - Crestmark	157,724	6	0.61%			
Berwind Properties - Waterford	155,419	7	0.60%	107,341	9	0.54%
Park West NOVI	146,318	8	0.56%			
Birch Landing	134,231	9	0.52%			
AT&T	133,491	10	0.52%			
Tree Terrace Apartments				141,688	3	0.72%
Golden Estates Mobile Home Pk				122,566	5	0.62%
Value Properties-Pine Lake				119,364	6	0.61%
Regency of Georgia				108,787	7	0.55%
Arbor Place Mall				108,600	8	0.55%
DLB Associates				395,620	1	2.01%
Totals	\$ 2,116,188		8.17%	\$ 1,541,795		7.83%

Fiscal Year	2019			2010		
	Sewer Revenue	Rank	% of Sewer Revenue	Sewer Revenue	Rank	% of Sewer Revenue
Sewer Customers						
DC Board of Education	\$ 360,405	1	2.59%			
Grove Skyview LTD	272,042	2	1.95%	\$ 152,178	2	1.57%
Douglas County Jail	181,153	3	1.30%	97,528	4	1.01%
WellStar	152,318	4	1.09%	74,580	8	0.77%
Pinnacle Homes at Rocky Ridge	139,257	5	1.00%			
Park West NOVI	122,667	6	0.88%			
Berwind Properties - Waterford	120,449	7	0.87%	86,343	6	0.89%
Birch Landing	120,287	8	0.86%			
Sevo Miller, Inc. - Crestmark	109,721	9	0.79%	62,512	10	0.65%
Home Ridge Apartments	109,003	10	0.78%			
DLB Associates				261,250	1	2.70%
Tree Terrace Apartments				105,858	3	1.09%
Golden Estates Mobile Home Pk				90,200	5	0.93%
Arbor Place Mall				78,007	7	0.81%
Norsouth Corp				63,693	9	0.66%
Totals	\$ 1,687,302		12.12%	\$ 1,072,149		11.08%

Fiscal Year	2019			2010		
	Stormwater Revenue	Rank	% of Stormwater Revenue	Stormwater Revenue	Rank	% of Stormwater Revenue
Stormwater Customers						
DC Board of Education	\$ 219,193	1	4.69%	\$ 20,711	7	0.47%
McMaster-CARR Supply Company	33,119	2	0.71%			
Atlanta Bonded Warehouse	28,188	3	0.60%			
Hunt Partners Ret. Group-Jacoby Dev.	25,401	4	0.54%	25,401	4	0.58%
Amazon.com	23,918	5	0.51%			
JVC Co. of America	23,162	6	0.50%	23,162	6	0.53%
Google, Inc	21,122	7	0.45%			
Grove Skyview, LTD	20,837	8	0.45%	19,709	9	0.45%
Arbor Place Mall	20,604	9	0.44%	20,603	8	0.47%
Lithia Springs, LLC	19,392	10	0.42%			
DLB Associates				30,149	1	0.68%
IDI				28,100	2	0.64%
APL Logistics				25,689	3	0.58%
Conlan Company				23,661	5	0.54%
Excel-Hon, Inc				19,392	10	0.44%
Totals	\$ 434,936		9.31%	\$ 236,577		5.38%

COMPLIANCE SECTION



NICHOLS, CAULEY & ASSOCIATES, LLC

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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, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 14, 2019.

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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Kennesaw | Rome | Warner Robins

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
November 14, 2019

