

Responses to Questions for MCRWSA for Financial Services RFP

- 1. Can the Authority provide the list of duties previously performed by Post & Associates that was referenced during Board discussions and used as the basis for developing the current Scope of Work?**

Response: See scope of work attached as Exhibit A.

- 2. What accounting software / systems does the Authority currently use? Is it expected that the service provider utilizes that same system?**

Response: The Authority does not have a financial management system and relies on the provider of the service. The Authority's current provider uses Thompson Reuters, Accounting CS and Quicken. The selected provider will be able to use their choice of system that meets the needs of the Authority.

- 3. Can the Authority provide copies of the following, if available: Most recent financial statements; Current budget (or most recent budget document); Current debt service schedules and payment requirements; and sample monthly financial reports provided to the Board?**

Response: The most recent completed audits are for the financial years of 2023 and 2024 and are available for review (Exhibit B), however the 2025 fiscal year audit is being prepared now and unavailable. A sample monthly financial report is provided as Exhibit C. Current debt service payments are made twice a year with an interest payment in May and the interest/principal payment in December. No budget is available.

- 4. Are there any minimum insurance coverage requirements, including professional liability insurance requirements, applicable to this engagement beyond those outlined in the RFP? Appendix A requires a sample Certificate of Insurance and post-award COI naming the Authority as additional insured, but does not specify required coverage types of minimum limits. Please provide the minimum acceptable policy types and dollar limits for General Liability, Professional Liability/E&O, Cyber Liability, and any other required coverages.**

Response: The RFP requires that the responders provide evidence of its current insurance and associated amounts currently held.

- 5. To support accurate cost proposal development, please provide approximate monthly or annual metrics for: (a) number of bank accounts requiring reconciliation, (b) volume of member-city and vendor invoices processed monthly, (c) number of board members and contract laborers requiring annual 1099 preparation, and (d) monthly transaction**

Response: Payments must have two signatures, so checks are written rather than ACH. Monthly estimates of the number of checks are approximately fifteen (15). The Authority receives three

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payments monthly, one from each member city. There are approximately ten to twelve annual 1099s that are prepared. There is only one account to be reconciled.

6. Does the authority have any employees or expect any employees in the next 1-2 years? If so, does the engagement include payroll services?

Response: The Authority does not currently have any employees and relies solely on contractors. Employees are contemplated once the Authority has an operational system. At that time, handling employee payroll will be an amendment to services.

7. Number of years requiring audit support? Are there known compliance deficiencies or audit findings? Please disclose any known audit findings, outstanding internal control deficiencies, reconciliation backlogs, or accounting system cleanup needs that the selected vendor should anticipate during the initial engagement period.

Response: Audit support is determined annually and depends on whether the auditing firm requires data in a different format than the accounting firm maintains in its normal course of business. All Authority audits have been completed through 2024 and the 2025 audit is in process. There are no outstanding deficiencies.

8. With respect to audit support services, please confirm that the selected contractor is expected to coordinate and support the audit process, while the actual audit and forensic audit services will be performed by an independent third-party auditor.

Response: The financial services firm will be coordinating documents and providing support to the auditing firm which will be performed by an independent third-party firm.

9. Is the selected contractor expected to be responsible for procurement-related activities associated with selecting auditors or other professional service providers?

Response: The Financial Manager is responsible for drafting the scope of services for the forensic audit and may recommend auditing firms, but the Board will select the provider.

10. What is the desired initial term of the contract (how many years)? What is the base contract period? Are there option years or renewal provisions? Please clarify the anticipated baseline contract performance period and whether the engagement includes optional multi-year renewal periods or extension provisions.

Response: Three-year term with the option of annual renewals thereafter.

11. The RFP references a “full forensic audit” rather than financial statement audit. Is there any specific reason for the completion of a forensic audit?

Response: The Authority currently completes annual financial audits as required by the State of Georgia. A forensic audit is desired to provide a comprehensive review of the finances of the

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Authority since its inception to inform a historical perspective of its operations and compile a complete file.

12. Section 3(e) requires the vendor to : identify contractor to complete a full forensic audit.: Please clarify whether the selected vendor is expected to (a) recommend qualified forensic audit firms only, (b) assist with procurement and selection, (c) manage the forensic audit engagement as liaison, or (d) perform the forensic audit directly under this contract.

Response: The Financial Manager will draft the scope of services for the forensic audit and assist the Authority in identifying potential contractors to complete the forensic audit. The Authority Board will select the third-party firm that will prepare the forensic audit but the Financial Manager may be required to assist in providing historical documents.

13. Who is the current provider of these services and who will be responsible for developing the transition plan? what is the expected transition timeline?

Response: The current Financial Manager is Post CPAs. The transition will occur within thirty (30) days from the date of award of the contract.

14. What is the deadline for the monthly reporting package?

Response: The reporting package must be complete the Friday the week before the monthly Authority meeting to be included within the Board packet. The Authority meets on the second Tuesday of each month.

15. What is the current budget approval process, ie who prepares and who reviews/approves?

Response: The budgeting process will be established in coordination with the financial manager. The financial manager will prepare the budget with input from the project team, attorney, and board members and then present the final version to the Board for its review and approval.

16. Who will be the primary point of contact within the Authority for this new service provider?

Response: The Chairman of the Authority, Tony Phillips.

17. The RFP mentions “collecting monthly invoices by the first of the month via email or PO Box”. Does this assume a local presence is required to physically collect invoices? Is there an expectation for on-site presence, either to complete the tasks or to attend board meetings?

Response: The Financial Manager must prepare and present monthly financial reports at the regularly scheduled monthly Authority meetings as well as retrieve documents mailed to the Authority. The Authority will require in-person attendance at its meetings. The Authority meets

Responses to Questions for MCRWSA for Financial Services RFP

regularly on the second Tuesday of the month at rotating locations between the three cities as follows: October, November, December, January meetings are in Fairburn. February, March, April and May meetings are in Palmetto. June, July, August, and September meetings are in Union City.

18. What is the current state of financial records and reconciliations?

Response: The reconciliations are current.

19. Are you all looking for the software specifically or someone like a CPA who can come in and do all the required tasks for the group? Is this intended to be a fully outsourced finance function, or support to existing staff?

Response: The Authority will be outsourcing the financial manager function since the Authority does not have any employees. The Authority currently only employs contractors pending the need to operate a project.

20. Who is being billed? Regarding the requirement to calculate semi-annual payout percentages based on water consumption: Is a calculation methodology currently documented? Will historical consumption and allocation data be provided to the selected contractor? Are there disputes or collection challenges historically?

Response: There are three monthly invoices prepared by the Authority, one to each member city, in accordance with the established methodology that is re-examined at six month intervals. To pay bond indebtedness and contractors working for the Authority, there is an established monthly amount of money required that is revised twice a year to proportionately re-allocate the funds required by each city based on the water usage of the member cities. The established methodology and established procedure will be shared with the Financial Manager. The respective cities handle their own retail water system and retail billing is outside the scope of this request.

21. How does the city billing contract work?

Response: The Authority currently does not sell water and is working on implementing construction and development of its own water source.

22. Who legally owns the Enterprise Fund? What other sources of revenue does the Authority have outside the invoicing to the member cities?

Response: The Authority is its own standalone entity but has the full faith and credit of the three member cities – Fairburn, Palmetto and Union City. The Authority also receives royalties on the sale of compensatory mitigation credits.

23. What is the estimated workload? Can the Authority provide an estimate of the anticipated annual budget for these services or historical expenditures associated

Responses to Questions for MCRWSA for Financial Services RFP

with financial management services? Can the Authority define the expected level of effort (e.g., hours or FTEs per month/year)?

Response: Currently the Financial Manager produces three invoices and pays about 15 checks monthly. There will be annual tasks as well as special requests such as assisting with the preparation of an annual budget, making two bond payments during the year, developing a scope for a forensic audit and attending Authority meetings.

24. Section 3(l) lists “Certified Public Accountant (CPA) preferred” as a minimum qualification. Please confirm whether proposals led by a non-CPA professional with equivalent credentials (e.g., MSA, CFE, EA, with relevant government financial management and audit support experience) remain fully eligible for award, or whether a CPA is required as the engagement lead).; Are there requirements for key personnel designation?

Response: While a CPA is preferred, the Authority will consider proposals led by individuals with government financial management experience.

25. Section 4 lists Cost Proposal as 15% of evaluation criteria but does not specify preferred submission format. Please indicate whether the cost proposal should be structured as a monthly retainer, hourly rate schedule, fixed annual fee, task-based pricing, or another preferred format.

Response: Fixed annual fee to be paid in 12 monthly increments.

26. Who comprises the Project Management Team, and what is their availability?

Response: The Project Management Team is comprised of Co-Project Managers, legal counsel, bond personnel and the Authority Clerk who will make availability to coordinate with the financial manager.

27. Regarding bond administration - How many outstanding bond issues currently require administration? Are debt service schedules and trustee requirements already documented?

Response: The Authority has one remaining bond, and the payment schedule and process are well documented and established.

28. Does the Authority currently maintain written accounting policies, financial procedures, or internal control documentation that will be provided to the selected contractor? Are there documented accounting policies and procedures?

Response: The Authority does not have independent written financial policies and procedures but requires the Financial Manager meet professional standards.

Exhibit

Scope of Work (SOW): Financial Management & Audit Support Services

Purpose

The purpose of this solicitation is to procure qualified financial management services to ensure transparency, regulatory compliance, and fiscal accountability for the Middle Chattahoochee Regional Water & Sewer Authority.

Scope of Services

The selected Contractor shall provide the following:

A. Financial Operations

- Full-cycle accounting services (e.g., AP/AR, general ledger)
- Monthly reconciliation of all accounts
- Prepare annual 1099s to be issued to board members and other contract labor
- Calculate semi-annual (April & October) payout percentages based on water consumption
- Collect monthly invoices from the member cities by the 15th of the month for the previous month
- Collect all invoices by the 1st of the month (via email and/or Post Office Box)
- Timely semi-annual interest and bond payments are due in June and December
- Annual insurance renewal completed in June and December; Premium is due in May

B. Budgeting & Forecasting

- Annual budget development and support
- Quarterly budget revisions and projections
- Variance analysis with written explanations
- Monthly Budget vs. Actual reports

C. Financial Reporting

- Monthly financial statements (Balance Sheet, Income Statement)
- Calculate semi-annual (April & October) payout percentages based on water consumption
- Prepare annual 1099s to be issued to board members and other contract labor
- Ad hoc reporting as requested

D. Compliance

- Ensure adherence to federal (2 CFR Part 200), state, and local requirements
- Maintain audit-ready documentation

- Monitor internal controls and risk exposure

E. Audit Support

- Identify contractor to complete a full financial audit
- Prepare schedules and documentation for annual audits
- Act as liaison with auditors
- Respond to findings and assist with corrective actions

F. Financial Management:

- Execute all financial tracking, reporting, and audit preparation tasks
- Maintain documentation and compliance standards

G. Timeline

- **Ongoing:** Financial management, reporting, and compliance monitoring
- **Quarterly:** Internal reviews and reporting updates
- **Annually:** Audit preparation, execution, and follow-up

H. Deliverables

- Monthly financial reporting package
- Annual budget and forecast reports
- Audit preparation plan
- Corrective action plans (if needed)

I. Minimum Qualifications

- Demonstrated experience with government or nonprofit financial management
- Proven audit support experience
- Certified Public Accountant (CPA) preferred

J. Evaluation Criteria

- Technical approach (30%)
- Relevant experience (25%)
- Staff qualifications (20%)
- Cost proposal (15%)
- Past performance/references (10%)

Exhibit B

**MIDDLE CHATTAHOOCHEE REGIONAL
WATER AND SEWER AUTHORITY**

FINANCIAL REPORT

DECEMBER 31, 2023



MAULDIN & JENKINS

CPAs & ADVISORS

**MIDDLE CHATTAHOOCHEE REGIONAL
WATER AND SEWER AUTHORITY**

FINANCIAL REPORT

DECEMBER 31, 2023

**MIDDLE CHATTAHOOCHEE REGIONAL WATER AND SEWER AUTHORITY
FINANCIAL REPORT
DECEMBER 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

**To the Members of the
Middle Chattahoochee Regional Water and Sewer Authority
Union City, Fairburn, and Palmetto, Georgia**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the **Middle Chattahoochee Regional Water and Sewer Authority** (the "Authority"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Middle Chattahoochee Regional Water and Sewer Authority as of December 31, 2023, and the changes in its financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
August 26, 2024

MIDDLE CHATTAHOOCHEE REGIONAL WATER AND SEWER AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2023

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$	4,288,764
Accounts receivable		1,262,045
Due from other governments		675,369
Restricted cash		2,294,489
Prepaid items		60,927
Total current assets		8,581,594
 NONCURRENT ASSETS		
Capital assets:		
Land		12,912,435
Construction in progress		33,533,864
Total noncurrent assets		46,446,299
Total assets		55,027,893
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - refunding		2,151,550
LIABILITIES		
CURRENT LIABILITIES		
Payable from current assets:		
Accounts payable		46,364
Bonds payable - current		1,780,000
Payable from restricted assets:		
Accrued interest payable		514,486
Total current liabilities		2,340,850
 LONG-TERM LIABILITIES		
Note payable		9,199
Revenue bonds payable		21,600,000
Total long-term liabilities		21,609,199
Total liabilities		23,950,049
NET POSITION		
Net investment in capital assets		25,208,650
Restricted for debt service		1,780,003
Unrestricted		6,240,741
Total net position	\$	33,229,394

See Notes to Financial Statements.

MIDDLE CHATTAHOOCHEE REGIONAL WATER AND SEWER AUTHORITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2023

Operating expenses:	
Administrative	\$ 49,115
Distribution and maintenance	133,220
Total operating expenses	<u>182,335</u>
Operating loss	<u>(182,335)</u>
Nonoperating revenues (expenses):	
Interest income, net fees	137,448
Rental income	8,926
Miscellaneous income	225,720
Interest and amortization expense	<u>(1,244,350)</u>
Total nonoperating revenues (expenses)	<u>(872,256)</u>
Loss before contributions	(1,054,591)
Contributions	<u>3,060,012</u>
Change in net position	2,005,421
Net position, beginning of year	<u>31,223,973</u>
Net position, end of year	<u>\$ 33,229,394</u>

See Notes to Financial Statements.

MIDDLE CHATTAHOOCHEE REGIONAL WATER AND SEWER AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Other payments	\$ (225,872)
Net cash used in operating activities	<u>(225,872)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest payments	(1,071,070)
Bond principal payments	(1,675,000)
Capital contributions	3,011,205
Collection of mitigation credit sales	124,200
Purchases of capital assets	(106,381)
Net cash provided by capital and related financing activities	<u>282,954</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	141,032
Investment and cash bank fees	(3,584)
Net cash provided by investing activities	<u>137,448</u>
CASH FLOWS FROM NONCAPITAL ACTIVITIES	
Rental income	8,926
Collection of mitigation credit royalty sales	18,462
Net cash provided by noncapital activities	<u>27,388</u>
Net increase in cash and cash equivalents	221,918
Cash and cash equivalents:	
Beginning of year	<u>6,361,335</u>
End of year	<u>\$ 6,583,253</u>
Classified as:	
Cash and cash equivalents	\$ 4,288,764
Restricted cash and cash equivalents	2,294,489
	<u>\$ 6,583,253</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (182,335)
Adjustments to reconcile operating loss to net cash used in operating activities	
Changes in assets and liabilities:	
Decrease in prepaid items	6,259
Decrease in accounts payable	(49,796)
Net cash used in operating activities	<u>\$ (225,872)</u>

See Notes to Financial Statements.

MIDDLE CHATTAHOOCHEE REGIONAL WATER AND SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The Middle Chattahoochee Regional Water and Sewer Authority (the "Authority") was formed on March 13, 2001 by resolutions of the City of Union City, the City of Fairburn, and the City of Palmetto pursuant to the authority of the General Assembly of the State of Georgia, act 540 Georgia Law 2000 page 3739 and following and as may be thereafter amended. The Authority is governed by a Board of seven directors, three of whom are the chief elected official of each member city, three of whom are appointed one each by each of the member cities, and one director being appointed by members of the local delegation of the Georgia General Assembly who represent all, or any part of, a member city.

The Authority is a special purpose governmental entity engaged in business-like activities. The purpose of the Authority is to acquire and develop adequate sources of water supply, including, but not limited to, the construction of reservoirs, the treatment of such water, and the collection and treatment of waste water. The Authority will provide these services to the area in and around the three municipalities.

Fund Accounting:

The Authority uses one fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

A fund is a separate accounting entity with a self-balancing set of accounts. The fund presented in this report is a Proprietary Fund Type - *Enterprise Fund*. Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Basis of Accounting and Measurement Focus:

In accounting and reporting for its proprietary operations, the Authority applies all Governmental Accounting Standards Board (GASB) pronouncements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus (Continued):

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

Management Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the acquisition date by the Authority.

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with an original maturity date of three months or less, to be cash equivalents.

Prepaid Items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the Authority's financial statements. These items are accounted for using the consumption method.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets:

Certain proceeds of the Authority's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable covenants.

Bond Premium, Discount and Issuance Costs:

Bond premiums and discounts are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums and discounts are presented as an addition and reduction, respectively, of the face amount of bonds payable in the statement of net position. Issuance costs are expensed when paid in the statement of revenues, expenses, and changes in net position.

Capital Assets:

Capital assets are carried at cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. These assets are depreciated over the estimated useful life using the straight-line method. The Authority defines its capitalization policy as assets costing \$1,000 and having an estimated useful life of greater than three years. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Capital Contributions:

Capital contributions consist of contributions from the three participating cities, based on the charter of the Authority.

Deferred Outflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. One item that qualifies for reporting in this category is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred, as either a deferred outflow or deferred inflow of resources, and amortized over the shorter of the life of the refunded debt or the refunding debt.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS

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. State statutes and Authority policy require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. Government, or bonds of public authorities, counties, or municipalities of the State of Georgia. Amounts that exceed standard depository insurance limits are required to be collateralized either (1) individually by the financial institutions through pledged obligations of the U.S. Government, obligations backed by the full faith and credit of the U.S. Government, obligations of the State of Georgia or other states, or obligations of counties, municipalities, or public authorities of the State of Georgia, or (2) participation in the State of Georgia Secure Deposit Program. As of December 31, 2023, the Authority's deposits were insured and/or collateralized as defined by state statutes and GASB pronouncements. As of December 31, 2023, the Authority had deposits with one (1) financial institution collateralized by the State of Georgia Secure Deposit Program, which is administered by the Office of the State Treasurer, and requires participating banks holding deposits of public funds to pledge collateral at varying rates depending on the tier assigned by the State. As of December 31, 2023, all of the Authority's deposits with financial institutions were insured and/or collateralized as required by State statutes.

NOTE 3. RECEIVABLES

Receivables consisted of the following at December 31, 2023:

Due from other governments:		
Due from Fairburn	\$	1,005
Due from Palmetto		134,895
Due from Union City		539,469
Total due from other governments	\$	<u>675,369</u>
Accounts receivable:		
Blue Creek	\$	1,158,845
Monestary of the Holy Spirit		1,680
Mulberry Grove		101,520
Accounts receivable	\$	<u>1,262,045</u>

The amounts due from Blue Creek, Monastery of the Holy Spirit, and Mulberry Grove represent wetland mitigation credits which were sold to the respective credit banks but the timing of the collection did not occur as of year end.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2023 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 12,912,435	\$ -	\$ -	\$ 12,912,435
Construction in progress	33,427,483	106,381	-	33,533,864
Total capital assets, net	<u>\$ 46,339,918</u>	<u>\$ 106,381</u>	<u>\$ -</u>	<u>\$ 46,446,299</u>

NOTE 5. LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2023 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable	\$ 25,055,000	\$ -	\$ (1,675,000)	\$ 23,380,000	\$ 1,780,000
Note payable	9,199	-	-	9,199	-
Total	<u>\$ 25,064,199</u>	<u>\$ -</u>	<u>\$ (1,675,000)</u>	<u>\$ 23,389,199</u>	<u>\$ 1,780,000</u>

Revenue Bonds

On July 1, 2014, the Authority issued the Revenue Refunding Bonds, Series 2014. The bond was issued for the purpose of refunding and paying off the outstanding principal amount, premium and accrued interest on the Series 2007 Variable Rate Demand Water Revenue Bonds. The Series 2014 bonds bear interest at 3-4% variable rate and is payable in yearly installments as listed in the amortization schedule on the following page. As a result of this transaction, the Authority reports a deferred charge on refunding which is reported as a deferred outflow of resources. This item is being recognized as an expense (amortized) over the life of the bonds and has a balance of \$2,151,550 as of December 31, 2023.

Notes Payable

In September 2013 the Authority applied for and was awarded a Georgia Environmental Finance Authority (GEFA) loan in the amount of \$10,500,000 to assist with the design and construction of a water treatment plant and the related transmission lines to establish the Authority's service area. However, due to project delays with obtaining Environmental Protection Agency (EPA) permits necessary to move forward with the project, no costs have been incurred and no funds have been drawn from GEFA. However, in order to keep the loan active, the Authority was required to withdraw \$9,199 in 2018. The remaining funds have not been drawn and as such, no maturity schedule exists for the loan repayment until all funds are requested by the Authority. The note was issued with an annual interest rate of 2.40%.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (CONTINUED)

Debt service requirements to maturity for the Authority's revenue bonds are as follows:

Fiscal year ending December 31,	Principal	Interest	Total
2024	\$ 1,780,000	\$ 984,475	\$ 2,764,475
2025	1,900,000	892,475	2,792,475
2026	2,025,000	814,600	2,839,600
2027	2,115,000	731,348	2,846,348
2028	2,250,000	622,225	2,872,225
2029-2033	13,310,000	1,483,587	14,793,587
Total	\$ 23,380,000	\$ 5,528,710	\$ 28,908,710

NOTE 6. COMMITMENTS AND CONTINGENCIES

Litigation

The Authority is subject to legal actions in the ordinary course of business. In the opinion of management and legal counsel, the Authority has adequate legal defenses and insurance coverage with respect to such actions and the liability, if any, which might result from these proceedings, would not have a material adverse effect on the financial position of the Authority.

NOTE 7. RISK MANAGEMENT

Due to the fact that the Authority is still in the developmental stage, its risks are minimal and consequently has minimal insurance coverage. As the Authority progresses toward its ultimate goals, the level of risk will increase, and as it becomes appropriate, the Authority will maintain a comprehensive array of property and liability insurance relevant to its operations. As it becomes operational, the Authority anticipates implementing an appropriate safety program to minimize its exposure.

COMPLIANCE SECTION



**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 Members of the
Middle Chattahoochee Regional Water and Sewer Authority
Union City, Fairburn, and Palmetto, 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 Middle Chattahoochee Regional Water and Sewer Authority (the “Authority”), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated August 26, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
August 26, 2024

MIDDLE CHATTAHOOCHEE REGIONAL WATER & SEWER AUTHORITY

509 Toombs Street
Palmetto, Georgia 30268

Chairperson Sonja Fillingame

October 29, 2025

Mauldin & Jenkins, LLC
200 Galleria Parkway S.E.
Suite 1700
Atlanta, Georgia 30339-5946

This representation letter is provided in connection with your audit of the financial statements of the Middle Chattahoochee Regional Water and Sewer Authority (the "Authority"), which comprise the financial position as of December 31, 2024, and the changes in financial position and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of October 29, 2025, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 3, 2025, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Guarantees, whether written or oral, under which the Authority is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 10) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Board of Directors summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13) We have no knowledge of any fraud or suspected fraud that affects the Authority and involves—
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements communicated by employees, former employees, regulators, or others.
- 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 17) We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

Government-specific

- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 20) The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 22) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
- 23) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax

or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

- 24) All leases have been properly identified and reported appropriately in accordance with GASB Statement No. 87.
- 25) All subscription based information technology arrangements have been properly identified and reported appropriately in accordance with GASB Statement No. 96.
- 26) We have appropriately measured, recorded, and disclosed compensated absences and other salary-related payments in accordance with GASBS No. 101 .
- 27) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 28) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 29) The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 30) The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 31) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 32) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34 , as amended.
- 33) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- 34) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 35) Provisions for uncollectible receivables have been properly identified and recorded.
- 36) Revenues and expenses have been appropriately classified in revenues, expenses and change in net position.
- 37) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 38) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 39) We acknowledge we will not utilize Mauldin & Jenkins, LLC to store our documents, data, or records on our behalf in accordance with the "Hosting Services" (see ET section 1.295.143) interpretation of the AICPA Code of Professional Conduct. Middle Chattahoochee Regional Water and Sewer Authority is solely responsible for maintaining its own data and records. In that regard, SuraLink is used solely as a method of transferring data to Mauldin & Jenkins, LLC and is not intended for the storage of our information. All information we provided through SuraLink was a copy and we maintain original documents and data as part of our records
- 40) We have appropriately disclosed the Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 41) We acknowledge our responsibility for the required supplementary information (RSI). The Authority has not presented a management's discussion and analysis as part of the financial report.

42) With respect to federal award programs:

- a) We are responsible for understanding and complying with and have complied with, the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.
- b) Expenditures of federal awards were below the \$750,000 threshold for the fiscal year ended December 31, 2024 and, subsequently, we were not required to have a Single Audit in accordance with the Uniform Guidance.

Signature: _____

Signature: _____

Title: _____

Title:

**MIDDLE CHATTAHOOCHEE REGIONAL
WATER AND SEWER AUTHORITY**

FINANCIAL REPORT

DECEMBER 31, 2024

DRAFT

**MIDDLE CHATTAHOOCHEE REGIONAL WATER AND SEWER AUTHORITY
FINANCIAL REPORT
DECEMBER 31, 2024**

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MIDDLE CHATTAHOOCHEE REGIONAL WATER AND SEWER AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2024

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$	4,885,214
Accounts receivable		1,160,525
Due from other governments		91,292
Restricted cash		2,369,989
Prepaid items		54,667
Total current assets		8,561,687
NONCURRENT ASSETS		
Capital assets:		
Land		12,912,435
Construction in progress		33,761,695
Total noncurrent assets		46,674,130
Total assets		55,235,817
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - refunding		1,936,395
LIABILITIES		
CURRENT LIABILITIES		
Payable from current assets:		
Accounts payable		33,518
Note payable		9,199
Bonds payable - current		1,900,000
Payable from restricted assets:		
Accrued interest payable		469,986
Total current liabilities		2,412,703
LONG-TERM LIABILITIES		
Revenue bonds payable		19,700,000
Total long-term liabilities		19,700,000
Total liabilities		22,112,703
NET POSITION		
Net investment in capital assets		27,001,326
Restricted for debt service		1,900,003
Unrestricted		6,158,180
Total net position	\$	35,059,509

See Notes to Financial Statements.

MIDDLE CHATTAHOOCHEE REGIONAL WATER AND SEWER AUTHORITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2024

Operating expenses:	
Administrative	\$ 31,582
Distribution and maintenance	306,033
Total operating expenses	<u>337,615</u>
Operating loss	<u>(337,615)</u>
Nonoperating revenues (expenses):	
Interest income, net fees	146,989
Rental income	8,926
Miscellaneous income	107,160
Interest and amortization expense	(1,155,351)
Total nonoperating revenues (expenses)	<u>(892,276)</u>
Loss before contributions	(1,229,891)
Contributions	<u>3,060,006</u>
Change in net position	1,830,115
Net position, beginning of year	<u>33,229,394</u>
Net position, end of year	<u><u>\$ 35,059,509</u></u>

See Notes to Financial Statements.

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MIDDLE CHATTAHOOCHEE REGIONAL WATER AND SEWER AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Other payments	\$ (344,201)
Net cash used in operating activities	<u>(344,201)</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest payments	(984,696)
Bond principal payments	(1,780,000)
Capital contributions	3,644,083
Collection of mitigation credit sales	101,520
Purchases of capital assets	(227,831)
Net cash provided by capital and related financing activities	<u>753,076</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	151,598
Investment and cash bank fees	(4,609)
Net cash provided by investing activities	<u>146,989</u>
 CASH FLOWS FROM NONCAPITAL ACTIVITIES	
Rental income	8,926
Collection of mitigation credit royalty sales	107,160
Net cash provided by noncapital activities	<u>116,086</u>
Net increase in cash and cash equivalents	671,950
 Cash and cash equivalents:	
Beginning of year	<u>6,583,253</u>
End of year	<u>\$ 7,255,203</u>
 Classified as:	
Cash and cash equivalents	\$ 4,885,214
Restricted cash and cash equivalents	2,369,989
	<u>\$ 7,255,203</u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (337,615)
Adjustments to reconcile operating loss to net cash used in operating activities	
Changes in assets and liabilities:	
Decrease in prepaid items	6,260
Decrease in accounts payable	(12,846)
Net cash used in operating activities	<u>\$ (344,201)</u>

See Notes to Financial Statements.

MIDDLE CHATTAHOOCHEE REGIONAL WATER AND SEWER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The Middle Chattahoochee Regional Water and Sewer Authority (the "Authority") was formed on March 13, 2001 by resolutions of the City of Union City, the City of Fairburn, and the City of Palmetto pursuant to the authority of the General Assembly of the State of Georgia, act 540 Georgia Law 2000 page 3739 and following and as may be thereafter amended. The Authority is governed by a Board of seven directors, three of whom are the chief elected official of each member city, three of whom are appointed one each by each of the member cities, and one director being appointed by members of the local delegation of the Georgia General Assembly who represent all, or any part of, a member city.

The Authority is a special purpose governmental entity engaged in business-like activities. The purpose of the Authority is to acquire and develop adequate sources of water supply, including, but not limited to, the construction of reservoirs, the treatment of such water, and the collection and treatment of waste water. The Authority will provide these services to the area in and around the three municipalities.

Fund Accounting:

The Authority uses one fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

A fund is a separate accounting entity with a self-balancing set of accounts. The fund presented in this report is a Proprietary Fund Type - *Enterprise Fund*. Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Basis of Accounting and Measurement Focus:

In accounting and reporting for its proprietary operations, the Authority applies all Governmental Accounting Standards Board (GASB) pronouncements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus (Continued):

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

Management Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the acquisition date by the Authority.

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with an original maturity date of three months or less, to be cash equivalents.

Prepaid Items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the Authority's financial statements. These items are accounted for using the consumption method.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets:

Certain proceeds of the Authority's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable covenants.

Bond Premium, Discount and Issuance Costs:

Bond premiums and discounts are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums and discounts are presented as an addition and reduction, respectively, of the face amount of bonds payable in the statement of net position. Issuance costs are expensed when paid in the statement of revenues, expenses, and changes in net position.

Capital Assets:

Capital assets are carried at cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. These assets are depreciated over the estimated useful life using the straight-line method. The Authority defines its capitalization policy as assets costing \$1,000 and having an estimated useful life of greater than three years. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Capital Contributions:

Capital contributions consist of contributions from the three participating cities, based on the charter of the Authority.

Deferred Outflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. One item that qualifies for reporting in this category is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred, as either a deferred outflow or deferred inflow of resources, and amortized over the shorter of the life of the refunded debt or the refunding debt.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS

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. State statutes and Authority policy require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. Government, or bonds of public authorities, counties, or municipalities of the State of Georgia. Amounts that exceed standard depository insurance limits are required to be collateralized either (1) individually by the financial institutions through pledged obligations of the U.S. Government, obligations backed by the full faith and credit of the U.S. Government, obligations of the State of Georgia or other states, or obligations of counties, municipalities, or public authorities of the State of Georgia, or (2) participation in the State of Georgia Secure Deposit Program. As of December 31, 2024, the Authority's deposits were insured and/or collateralized as defined by state statutes and GASB pronouncements. As of December 31, 2024, the Authority had deposits with one (1) financial institution collateralized by the State of Georgia Secure Deposit Program, which is administered by the Office of the State Treasurer, and requires participating banks holding deposits of public funds to pledge collateral at varying rates depending on the tier assigned by the State. As of December 31, 2024, all of the Authority's deposits with financial institutions were insured and/or collateralized as required by State statutes.

NOTE 3. RECEIVABLES

Receivables consisted of the following at December 31, 2024:

Due from other governments:

Due from Fairburn	\$	(64,916)
Due from Palmetto		159,803
Due from Union City		(3,595)
Total due from other governments	\$	<u>91,292</u>

Accounts receivable:

Blue Creek	\$	1,158,845
Monestary of the Holy Spirit		1,680
Accounts receivable	\$	<u>1,160,525</u>

The amounts due from Blue Creek and Monastery of the Holy Spirit represent wetland mitigation credits which were sold to the respective credit banks, but the timing of the collection did not occur as of year end.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2024 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 12,912,435	\$ -	\$ -	\$ 12,912,435
Construction in progress	33,533,864	227,831	-	33,761,695
Total capital assets, net	<u>\$ 46,446,299</u>	<u>\$ 227,831</u>	<u>\$ -</u>	<u>\$ 46,674,130</u>

NOTE 5. LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2024 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable	\$ 23,380,000	\$ -	\$ (1,780,000)	\$ 21,600,000	\$ 1,900,000
Note payable	9,199	-	-	9,199	9,199
Total	<u>\$ 23,389,199</u>	<u>\$ -</u>	<u>\$ (1,780,000)</u>	<u>\$ 21,609,199</u>	<u>\$ 1,909,199</u>

Revenue Bonds

On July 1, 2014, the Authority issued the Revenue Refunding Bonds, Series 2014. The bond was issued for the purpose of refunding and paying off the outstanding principal amount, premium and accrued interest on the Series 2007 Variable Rate Demand Water Revenue Bonds. The Series 2014 bonds bear interest at 3-4% variable rate and is payable in yearly installments as listed in the amortization schedule on the following page. As a result of this transaction, the Authority reports a deferred charge on refunding which is reported as a deferred outflow of resources. This item is being recognized as an expense (amortized) over the life of the bonds and has a balance of \$1,936,395 as of December 31, 2024.

Notes Payable

In September 2013 the Authority applied for and was awarded a Georgia Environmental Finance Authority (GEFA) loan in the amount of \$10,500,000 to assist with the design and construction of a water treatment plant and the related transmission lines to establish the Authority's service area. However, due to project delays with obtaining Environmental Protection Agency (EPA) permits necessary to move forward with the project, no costs have been incurred and no funds have been drawn from GEFA. However, in order to keep the loan active, the Authority was required to withdraw \$9,199 in 2018. The remaining funds have not been drawn and as such, no maturity schedule exists for the loan repayment until all funds are requested by the Authority. The note was issued with an annual interest rate of 2.40%.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (CONTINUED)

Debt service requirements to maturity for the Authority's revenue bonds are as follows:

Fiscal year ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,900,000	\$ 892,475	\$ 2,792,475
2026	2,025,000	814,600	2,839,600
2027	2,115,000	731,348	2,846,348
2028	2,250,000	622,225	2,872,225
2029	2,390,000	527,137	2,917,137
2030-2033	10,920,000	956,450	11,876,450
Total	<u>\$ 21,600,000</u>	<u>\$ 4,544,235</u>	<u>\$ 26,144,235</u>

NOTE 6. COMMITMENTS AND CONTINGENCIES

Litigation

The Authority is subject to legal actions in the ordinary course of business. In the opinion of management and legal counsel, the Authority has adequate legal defenses and insurance coverage with respect to such actions and the liability, if any, which might result from these proceedings, would not have a material adverse effect on the financial position of the Authority.

NOTE 7. RISK MANAGEMENT

Due to the fact that the Authority is still in the developmental stage, its risks are minimal and consequently has minimal insurance coverage. As the Authority progresses toward its ultimate goals, the level of risk will increase, and as it becomes appropriate, the Authority will maintain a comprehensive array of property and liability insurance relevant to its operations. As it becomes operational, the Authority anticipates implementing an appropriate safety program to minimize its exposure.

Exhibit C



2011 Commerce Drive, Suite F107
Peachtree City, Georgia 30269

Middle Chattahoochee Regional Water & Sewer Auth
855 PO Box
Fairburn, GA 30213

We have compiled the accompanying Statement of Assets, Liabilities & Equity - Income Tax Basis of Middle Chattahoochee Regional Water & Sewer Auth as of of April 30, 2026, and the related statement of Revenues, Expenses and Retained Earnings - Income Tax Basis for the four months then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared on the accounting basis used by Middle Chattahoochee Regional Water & Sewer Auth for income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about Middle Chattahoochee Regional Water & Sewer Auth's assets, liabilities, equity, revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

May 05, 2026

Middle Chattahoochee Regional Water & Sewer Authority

Statement of Assets, Liabilities & Equity

Income Tax Basis

As of April 30, 2026

ASSETS

Current Assets

PNC Bank	\$ 5,979,976.08
Prepaid Insurance	117,147.95
Contribution Receivable - Cities	244,963.00
Total Current Assets	<u>\$ 6,342,087.03</u>

Noncurrent Assets

Capital Assets

Construction in Progress	\$ 6,264,207.03
Construction in Progress- Interest	21,287,875.87
Palmetto Treatment System	2,073,692.05
Land	13,542,624.61

Total Capital Assets \$ 43,168,399.56

Total Assets \$ 49,510,486.59

LIABILITIES & FUND BALANCE

Non-Current Liabilities

Bonds payable	\$ 17,675,000.00
Total Non-Current Liabilities	<u>17,675,000.00</u>

Fund Balance

Payments from City of Fairburn	\$ 229,935.00
Payments from Union City	427,329.00
Payments from City of Palmetto	413,454.05
Fund Balance	30,796,765.24
Net Income	<u>(31,996.70)</u>

Total Fund Balance \$ 31,835,486.59

Total Liabilities & Fund Balance \$ 49,510,486.59

Middle Chattahoochee Regional Water & Sewer Authority
Statement of Revenues & Expenses
Income Tax Basis
As of April 30, 2026

	1 Month Ended April 30, 2026	4 Months Ended April 30, 2026
Income		
Interest Earned	\$ 8,807.95	\$ 33,304.32
Rental Income	0.00	9,819.00
	8,807.95	43,123.32
Operating Expenses		
Contract Labor	1,500.00	6,050.00
Board Expenses	1,050.00	4,200.00
Bank Charges	324.04	1,263.92
Consulting Fees	6,526.00	28,051.77
Legal & Professional Fees	2,417.50	28,005.43
Insurance	4,375.00	4,375.00
Office Supplies & Expenses	560.73	2,146.58
Investment Fees	0.00	825.00
Telephone & Interest	50.58	202.32
	16,803.85	75,120.02
Net Income (Loss)	\$ (7,995.90)	\$ (31,996.70)