

Coweta County Water & Sewerage Authority

Meeting Agenda

Wednesday, February 1, 2023

Board Room

Meeting Time: 9:00 A.M.

Approx

Time

Agenda Item

Presenter

9:00 a.m. Call to order

Chairman Bartlett

Pledge of Allegiance

Invocation

Approval of minutes from the January 4, 2023 meeting

Business

Service Awards

Jay Boren

Approval of FY22 Audit

Jay Boren

Approval of GEFA Loan for Chattahoochee

Withdrawal Pump Station Project

Jay Boren

Update on Operations

Rick Jones

Update on Human Resources

Rick Jones

Update on Customer Care/Information Technology

Alan Sibley

Monthly Report

Roger Dawson

Agenda Additions:

Executive Session

Litigation / Real Estate/ Personnel

Adjournment

Next Board Meeting Wednesday, March 1, 2023 at 9:00AM



(Component Unit of Coweta County, Georgia)

Annual Financial Report

For the Years Ended

June 30, 2022 and June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board Members
Coweta County Water & Sewerage Authority
Newnan, Georgia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Coweta County Water & Sewerage Authority, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Coweta County Water & Sewerage 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 respective financial position of the business-type activities of the Coweta County Water & Sewerage Authority, as of June 30, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. 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 Coweta County Water & Sewerage 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Coweta County Water & Sewerage 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 opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Coweta County Water & Sewerage 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 Coweta County Water & Sewerage 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Coweta County Water & Sewerage Authority's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2022 on our consideration of Coweta County Water & Sewerage 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 Coweta County Water & Sewerage 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 Coweta County Water & Sewerage Authority's internal control over financial reporting and compliance.

Yours truly,



J. K. BOATWRIGHT & CO., P.C.
Certified Public Accountants
LaGrange, Georgia
December 29, 2022

Management's Discussion and Analysis (Unaudited)
Coweta County Water & Sewerage Authority
As of and For the Year Ended June 30, 2022

The following discussion and analysis of the financial performance of the Coweta County Water & Sewerage Authority (the Authority) provides a narrative overview of the financial activities for the fiscal year ended June 30, 2022. The discussion and analysis also provide information relating to future business initiatives. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the financial statements following this section.

Financial highlights

- Operating revenues decreased to \$31,994,375 for the period ending June 30, 2022, as compared to \$33,280,370 (restated) for the same period in 2021, which is a decrease of \$1,285,995 or 3.9%.
- Operating expenses increased to \$24,026,045 for the period ending June 30, 2022, as compared to \$22,110,492 (restated) for the same period in 2021, which is an increase of \$1,915,553 or 8.7%.
- Operating income decreased by \$3,201,548, or 28.7%, for the period ending June 30, 2022, as compared to the same period in 2021.
- Change in net position decreased to \$7,331,770 for the period ending June 30, 2022 as compared to \$9,724,926 (restated) for the same period in 2021, which is a decrease of \$2,393,156 or 24.6%.

Economic conditions

Coweta County has experienced economic challenges related to the continued COVID 19 pandemic recovery, supply chain issues, materials and supply shortages, and historic inflation. Increased costs of materials and supplies have impacted operations and capital projects. Where possible, procurement of materials was accelerated or delayed in an effort to manage the increased costs. Most capital projects have seen significant delays and cost increases as a result of these general economic conditions. Significant efforts have been made in the design and planning stages of the projects to mitigate the effects of these factors and to keep needed projects moving forward, at the most reasonable costs attainable.

The unemployment rate in Coweta County, the State of Georgia, and the United States was directly and substantially impacted by the economic shut-down in fiscal year 2020 and has continued to experience the solid recovery in the fiscal year ended June 30, 2022, that began in fiscal year 2021. According to FRED (the Federal Reserve Bank of St. Louis Economic Research website), Coweta County's unemployment rate fell to 2.8% in June 2022, as compared to 3.9% for the same period in 2021. The unemployment rate in Georgia and the United States saw similar decreases, with Georgia decreasing to 2.9% from 4.0% and the United States decreasing to 3.6% from 5.9% for June 2022 and 2021, respectively.

According to the West Georgia Regional Update (Fall 2022), provided by University of West Georgia's Richards College of Business, based on first quarter 2021 employment data compared to first quarter 2020, Coweta County led the West Georgia Region with an overall employment growth rate of 7.9%. Goods-producing employment, which includes manufacturing and construction, increased by 8.9%. The services sector, which includes retail, health care, warehousing/transportation and accommodation/food services, increased by 8.5%.

Management's Discussion and Analysis continues on the next page

Management's Discussion and Analysis (Unaudited)
Coweta County Water & Sewerage Authority
As of and For the Year Ended June 30, 2022

Coweta County has experienced general growth brought on by a steady increase in population over the past several years. The April 1, 2010 census showed the County's population at 127,317. According to the United States Census Bureau website, the County's April 1, 2021 population was 149,956, a slight increase from the 2020 population estimates of 146,158.

Despite the negative economic impacts of supply chain issues and inflation, there have been several positive business announcements in Coweta County. As noted by The West Georgia Regional Update (Fall 2022), future and new developments, including the following:

- NYCO manufacturing, a producer of synthetic lubricants serving the aviation industry, announced a new manufacturing facility
- Cassioli, an Italian producer of automatic systems for material handling, opened a 20,000 square foot manufacturing plant in the Creekside Industrial Park
- Semperit Industrial Products, Inc. opened a \$9 million rubber products manufacturing and distribution facility
- Bonnell Aluminum has broken ground on a new headquarters building in downtown Newnan
- Yamaha Motor Manufacturing Corp has broken ground on another expansion, which is a 200,000 square foot advanced "Smart" warehouse
- Poplar Road mixed use development that will include office space, townhomes, a hotel, retail, and restaurant space was approved and will be located across from Piedmont Newnan Hospital
- Several major residential developments (Twelve Parks, Del Webb Newnan, Cresswind at Spring Haven, Chapel Hill) are planned to bring a significant number of homes to Coweta County

Coweta County is well positioned for attracting industrial projects to the area with available parcels and buildings in several industrial developments including, the Coweta Industrial Park, Creekside Industrial Park, the 281-acre Orchard Hills Business Park, and the 500-acre mega-site, the Cubes at Bridgeport, which can accommodate buildings up to two million square feet.

The West Georgia Regional Update (May 2022) also reported that there has been some cooling in the housing market in Coweta County. Closed sales are down 10.5% for the period from April 2022 compared to April 2021. However, average days on the market fell to 18 in 2022 versus 31 in 2021. Home prices remain strong in the County with the average sales price increasing by \$77,916 from April 2021 to April 2022. This is a region leading increase of 22.4%.

Employment in Coweta County's government sector increased 2.0% between first quarter 2021 and first quarter 2020, according to the West Georgia Regional Update (Fall 2022). Most government workers in the county are employed by local government, specifically the Coweta County School System (the School System). The School System has reported total enrollment of 23,128 (as of October 2022) for the school system for the 2022-2023 school year. According to information provided by the School System, the four-year graduation rate has increased from 89.3% in 2021 to 90.5% in 2022 and is more than 6% higher than the state of Georgia's four-year graduation rate of 83.7%.

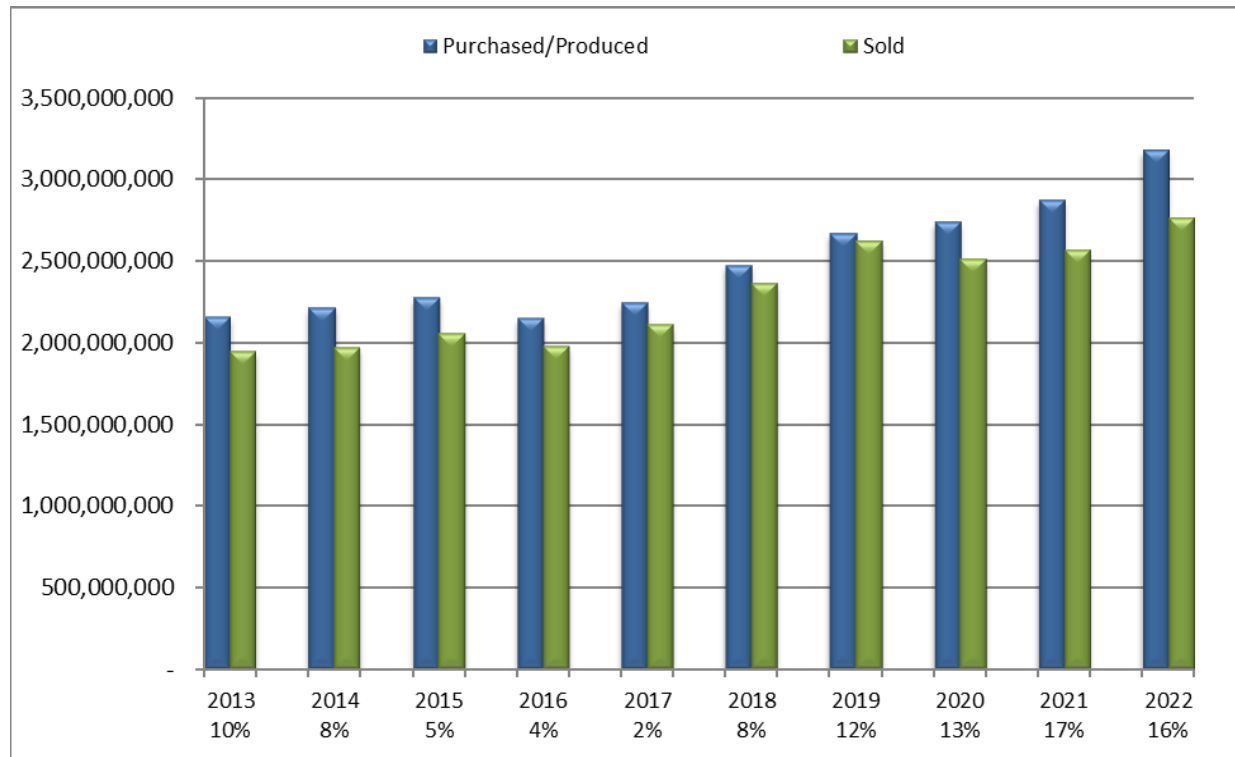
Management's Discussion and Analysis continues on the next page

Management's Discussion and Analysis (Unaudited)
Coweta County Water & Sewerage Authority
As of and For the Year Ended June 30, 2022

Water loss

The Authority continues to maintain improvements in unaccounted water. The Authority began aggressively changing out polybutylene pipe in 2007. Beginning with fiscal year 2011, the Authority measures and includes data on system flushing, which is performed at the BT Brown Water Treatment Plant along with hydrant flushing in the County. Below is a 10-year history of water gallons purchased and produced versus sales by fiscal year:

Water Gallons Purchased/Produced versus Sales by Fiscal Year



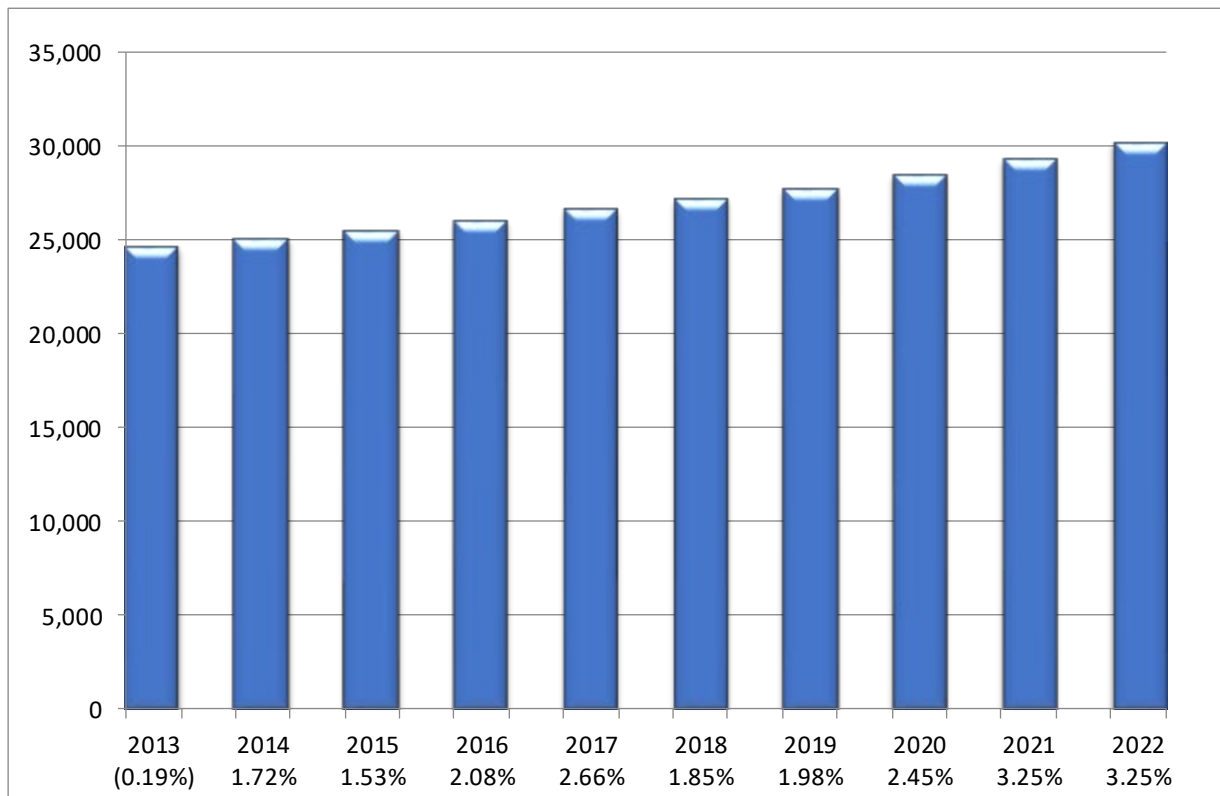
Management's Discussion and Analysis continues on the next page

Management's Discussion and Analysis (Unaudited)
Coweta County Water & Sewerage Authority
As of and For the Year Ended June 30, 2022

Historical customer growth

At June 30, 2022, the Authority had 30,125 customers as compared to 29,321 customers for the same period in 2021, which represents an increase of 2.74%. The graph below illustrates the Authority's customer growth for the previous 10 years.

Historical Customer Growth



Overview of the financial statements

This discussion serves as an introduction to the financial statements included and a full disclosure of the fiscal year ending June 30, 2022. Three types of financial statements are included in the financial section of this audit: Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows.

The Statement of Net Position includes all the Authority's assets and liabilities using the accrual basis of accounting and provides the basis for evaluating capital and assessing liquidity and flexibility.

All current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position and measure the success of the Authority's operation. This statement can be used to determine whether the Authority has successfully recovered its costs through usage fees and other charges.

The Statement of Cash Flows provides information about cash receipts, cash payments, and the net change in cash resulting from the operating, investing, and financing activities of the Authority including repayment of bonds and capital additions.

Management's Discussion and Analysis (Unaudited)
Coweta County Water & Sewerage Authority
As of and For the Year Ended June 30, 2022

The notes to the financial statements provide additional information that is essential to a full understanding of these statements.

Financial analysis

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's activities to determine if, overall, the financial position improved over the year.

These two statements report the net position of the Authority and changes in net position over time. Analyzing the Authority's net position is one way to measure financial health; however, non-financial factors such as economic conditions, population growth, and new or revised government legislation should be considered as well.

The following discussion should be read in conjunction with the financial statements and related notes along with other financial data included elsewhere in this report.

Net position

The following table depicts the Authority's condensed summary of net position for the years ended June 30, 2022, 2021 and 2020.

	<u>2022</u>	<u>2021</u> <u>Restated</u>	<u>2020</u>
Assets			
Current assets	\$ 44,376,124	\$ 36,554,966	\$ 30,120,557
Capital assets	163,276,785	151,805,473	151,507,474
Other assets	301,449	484,130	183,850
Total assets	<u>207,954,358</u>	<u>188,844,569</u>	<u>181,811,881</u>
Deferred outflow of resources			
Deferred amount on refundings	<u>10,241,964</u>	<u>5,436,481</u>	<u>6,016,223</u>
Liabilities			
Current liabilities	7,689,420	6,276,176	5,594,120
Noncurrent liabilities	95,797,284	80,608,985	85,272,833
Total liabilities	<u>103,486,704</u>	<u>86,885,161</u>	<u>90,866,953</u>
Deferred inflow of resources			
Related to lease receivable	<u>296,182</u>	<u>314,223</u>	<u>-</u>
Net Position			
Net investment in capital assets	75,465,154	74,758,710	71,767,316
Restricted	10,158,523	183,405	117,210
Unrestricted	28,789,759	32,139,551	25,473,002
Total net position	<u>\$ 114,413,436</u>	<u>\$ 107,081,666</u>	<u>\$ 97,357,528</u>

The Authority uses capital assets to provide services to customers and therefore these assets are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the assets themselves cannot be used to liquidate these liabilities. The Authority's net position also included restricted net assets of \$10,158,523 (approximately 8.9% of net position) that represent resources subject to external restriction on how they may be used.

Management's Discussion and Analysis (Unaudited)
Coweta County Water & Sewerage Authority
As of and For the Year Ended June 30, 2022

Changes in net position

The following table reflects the Authority's changes in net position for the years ended June 30, 2022, 2021 and 2020.

	<u>2022</u>	<u>2021</u> <u>Restated</u>	<u>2020</u>
Operating revenues			
Water sales	\$ 23,100,715	\$ 20,869,733	\$ 21,482,303
Sewer fees	5,202,740	6,159,731	5,292,574
Water and sewer tap fees	1,549,535	2,118,807	1,546,351
Other services	2,141,385	4,132,099	2,893,391
Total operating revenues	<u>31,994,375</u>	<u>33,280,370</u>	<u>31,214,619</u>
Operating expenses			
Cost of sales	4,868,613	5,107,723	5,723,463
Personnel services and employee benefits	7,363,228	6,788,609	6,126,206
Depreciation and amortization	5,804,410	5,608,792	5,110,345
Other services and charges	5,989,794	4,605,368	4,239,511
Total operating expenses	<u>24,026,045</u>	<u>22,110,492</u>	<u>21,199,525</u>
Operating income	<u>7,968,330</u>	<u>11,169,878</u>	<u>10,015,094</u>
Non-operating revenues (expenses)			
Interest income	135,419	51,617	375,538
Interest charges	(2,035,341)	(2,943,844)	(3,065,531)
Amortization	(1,971,600)	(277,262)	(277,265)
Contributions - DRIP Program	127,123	133,695	115,083
Awards - DRIP Program	(75,000)	(67,500)	-
Lease revenue	18,041	18,041	-
Net increase in the fair value of investments	(66)	-	166,578
Gain (loss) on disposal of assets	-	89,512	(275,363)
Total non-operating revenues (expenses)	<u>(3,801,424)</u>	<u>(2,995,741)</u>	<u>(2,960,960)</u>
Change in net position before capital contributions	<u>4,166,906</u>	<u>8,174,137</u>	<u>7,054,134</u>
Capital contributions:			
Contributed water and sewer lines	3,164,864	1,292,765	5,341,611
Community Development Block Grant	-	258,024	342,114
Total capital contributions	<u>3,164,864</u>	<u>1,550,789</u>	<u>5,683,725</u>
Change in net position	<u>7,331,770</u>	<u>9,724,926</u>	<u>12,737,859</u>
Net position, beginning of year	<u>107,081,666</u>	<u>97,356,740</u>	<u>80,286,378</u>
Net position, end of year	<u>\$114,413,436</u>	<u>\$107,081,666</u>	<u>\$ 93,024,237</u>

Operating revenues decreased to \$31,994,375 for the period ending June 30, 2022, as compared to \$33,280,370 (restated) for the same period in 2021, a decrease of \$1,285,995 or 3.9%. Sewer revenues were down \$956,991 due to a slowing of new customer growth, which translates into decreased capacity fees. In 2015 the Authority gained a new private label water bottling customer and continues to see positive operating revenues from this source as well.

Management's Discussion and Analysis (Unaudited)
Coweta County Water & Sewerage Authority
As of and For the Year Ended June 30, 2022

Operating expenses increased to \$24,026,045 for the period ending June 30, 2022, as compared to \$22,110,492 (restated) for the same period in 2021, which is an increase of \$1,915,553 or 8.7%. Personnel services and employee benefits expense increased \$574,619 mainly from health insurance premiums rising and adding additional staff to maintain infrastructure and the distribution system. Cost of sales, which is the contractual obligation to purchase water from our two providers, decreased \$239,110 or 4.7% as less water was purchased and more water was produced at the BT Brown Water Treatment Plant.

Non-operating revenues (expenses) were (\$3,801,424) for the period ending June 30, 2022, as compared to (\$2,995,741) (restated) for the same period in 2021, which is an increase of \$805,683 or 26.9%. Interest income increased \$83,802, as increasing interest rates were experienced during the fiscal year. Amortization increased by \$1,694,338, which includes amortization on Bond related items (premiums, discounts, and loss on refundings) and issuance costs associated with debt issued during the fiscal year.

Capital assets and debt administration

The Authority's investment in capital assets includes land, buildings, site improvements, machinery, equipment, vehicles, furniture and fixtures, water system infrastructure, sewer system infrastructure, intangible assets, and construction-in-progress. The Authority's investment in capital assets as of June 30, 2022, was \$163,276,785 net of accumulated depreciation, which is an increase of \$11,471,312 from the same period in 2021. The Authority added \$4,362,703 of capital assets (including donated assets, but not including depreciation) for the period ending June 30, 2022, as compared to \$8,445,104 for the same period in 2021. Accumulated depreciation increased to \$80,075,677 for the period ending June 30, 2022, as compared to \$74,267,605 for the same period in 2021.

During fiscal year 2022, the Authority defeased all outstanding bonded debt and funded new projects with the issuance of \$95,058,000 in Series 2021 Bonds. The refunding portion of the debt lowered the effective interest rate for outstanding bonds and resulted in an estimated present value savings of approximately \$5.5 million over the life of the debt.

At June 30, 2022, the Authority had total bonded outstanding debt of \$90,246,000. The detail breakdown of these amounts for each bond issue is stated below:

Series 2021A Refunding Revenue Bonds	\$51,985,000
Series 2021B Refunding Revenue Bonds	\$17,255,000
Series 2021C Refunding Revenue Bonds	\$21,006,000

Budgetary highlights, economic factors and next year's budget

In fiscal year 2022, the Coweta County Water and Sewerage Authority Board adopted the annual operating budget. When preparing the fiscal year 2023 budget, the Authority considered many factors, and the budget and expenditures will be monitored closely to determine if changes will need to be made as a result of changes in operations and the economy.

Management's Discussion and Analysis continues on the next page

Management's Discussion and Analysis (Unaudited)
Coweta County Water & Sewerage Authority
As of and For the Year Ended June 30, 2022

Looking forward

While Coweta County has experienced a steady recovery from the effects of the COVID 19 pandemic, it has certainly felt the effects of supply chain issues, materials and supply shortages, and historic inflation. The Authority is continuing efforts to manage the increased costs while providing the most efficient service to its customers and planning for infrastructure needs well into the future. Continued growth in the housing market and low unemployment point to a recovery that is among the leaders in the six-county west Georgia region. The Authority is encouraged by continued inquiries regarding service for proposed new developments. The Authority's vision is to be a recognized community partner and leader in water and sewer supply. Management and the Board are strong advocates of customer service and provide all necessary tools to employees to provide the very best service possible to the Authority's customers.

Request for information

This financial report provides a general overview of Coweta County Water and Sewerage Authority's finances. Questions concerning this report or requests for additional financial information can be obtained by contacting the Coweta County Water and Sewerage Authority Administration and Finance Department at the following address:

Coweta County Water & Sewerage Authority
Attn: Chief Financial Officer
545 Corinth Road
Newnan, GA 30263
(770) 254-3710

Coweta County Water & Sewerage Authority
STATEMENTS OF NET POSITION
June 30, 2022 and June 30, 2021

	<u>2022</u>	As Restated <u>2021</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 29,566,770	\$ 33,546,641
Receivables:		
Customer accounts, net	1,830,135	1,609,829
Other receivables	303,515	491,428
Georgia Environmental Finance Authority (GEFA)	1,387,914	-
Lease receivable current	10,828	10,029
Inventories	734,308	489,175
Prepaid expenses	384,131	224,459
Restricted assets:		
Cash and cash equivalents	10,158,523	183,405
Total current assets	<u>44,376,124</u>	<u>36,554,966</u>
Noncurrent assets:		
Capital assets:		
Nondepreciable	21,115,999	8,135,842
Depreciable, net	135,433,243	136,609,554
Intangible assets, net	6,727,543	7,060,077
Prepaid bond insurance, net of accumulated amortization of \$171,853 and \$62,379 in 2022 and 2021, respectively	-	171,853
Lease receivable - net of current	<u>301,449</u>	<u>312,277</u>
Total noncurrent assets	<u>163,578,234</u>	<u>152,289,603</u>
Total assets	<u>207,954,358</u>	<u>188,844,569</u>
Deferred Outflow of Resources		
Deferred amount on refundings	<u>10,241,964</u>	<u>5,436,481</u>

continued

See accompanying notes to financial statements.

Coweta County Water & Sewerage Authority

STATEMENTS OF NET POSITION

June 30, 2022 and June 30, 2021

continued

	<u>2022</u>	As Restated <u>2021</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 2,128,250	\$ 1,372,987
Accrued liabilities	1,408,178	1,089,051
Accrued interest payable	181,316	237,354
Lease liabilities - current portion	5,082	4,212
Bonds payable - current portion, net of unamortized amounts	3,797,430	3,404,475
Compensated absences due within one year	169,164	168,097
Total current liabilities	<u>7,689,420</u>	<u>6,276,176</u>
Noncurrent liabilities:		
Deposits payable	1,462,881	1,451,636
Lease liabilities - net of current	9,694	7,126
Bonds payable - noncurrent portion, net of unamortized amounts	87,780,969	73,994,923
Note payable	6,460,420	5,072,506
Compensated absences due in more than one year	83,320	82,794
Total noncurrent liabilities	<u>95,797,284</u>	<u>80,608,985</u>
Total liabilities	<u>103,486,704</u>	<u>86,885,161</u>
Deferred Inflow of Resources		
Related to lease receivable	<u>296,182</u>	<u>314,223</u>
Net Position		
Net investment in capital assets	75,465,154	74,758,710
Restricted:		
Projects Fund	9,480,114	-
Capitalized Interest Fund	437,631	-
Education	7,377	2,127
DRIP Program	233,401	181,278
Unrestricted	<u>28,789,759</u>	<u>32,139,551</u>
Total net position	<u>\$ 114,413,436</u>	<u>\$ 107,081,666</u>

See accompanying notes to financial statements.

Coweta County Water & Sewerage Authority
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	As restated <u>2021</u>
Operating revenues:		
Water sales	\$ 23,100,715	\$ 20,869,733
Sewer fees	5,202,740	6,159,731
Water and sewer tap fees	1,549,535	2,118,807
Reimbursements	1,551	2,625,588
Other services	<u>2,139,834</u>	<u>1,506,511</u>
Total operating revenues	<u>31,994,375</u>	<u>33,280,370</u>
Operating expenses:		
Cost of sales	4,868,613	5,107,723
Personnel services and employee benefits	7,363,228	6,788,609
Depreciation and amortization	5,804,410	5,608,792
Other services and charges	<u>5,989,794</u>	<u>4,605,368</u>
Total operating expenses	<u>24,026,045</u>	<u>22,110,492</u>
Operating income	<u>7,968,330</u>	<u>11,169,878</u>
Non-operating revenues (expenses):		
Interest income	135,419	51,617
Interest charges	(2,035,341)	(2,943,844)
Amortization	(1,971,600)	(277,262)
Contributions - DRIP Program	127,123	133,695
Awards - DRIP Program	(75,000)	(67,500)
Lease revenue	18,041	18,041
Net decrease in the fair value of investments	(66)	-
Gain on disposal of assets	<u>-</u>	<u>89,512</u>
Total non-operating revenues (expenses)	<u>(3,801,424)</u>	<u>(2,995,741)</u>
Change in net position before capital contributions	<u>4,166,906</u>	<u>8,174,137</u>
Capital contributions:		
Contributed water and sewer lines	3,164,864	1,292,765
Community Development Block Grant Program	<u>-</u>	<u>258,024</u>
Total contributions	<u>3,164,864</u>	<u>1,550,789</u>
Change in net position	7,331,770	9,724,926
Net position - beginning of year, as restated	<u>107,081,666</u>	<u>97,356,740</u>
Net position, end of year	<u>\$ 114,413,436</u>	<u>\$ 107,081,666</u>

See accompanying notes to financial statements.

Coweta County Water & Sewerage Authority
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	As Restated <u>2021</u>
Cash flows from operating activities:		
Receipts from customers	\$ 30,574,068	\$ 34,362,926
Payments to vendors	(12,364,553)	(12,323,689)
Payments to employees	<u>(5,174,659)</u>	<u>(4,644,650)</u>
Net cash provided by operating activities	<u>13,034,856</u>	<u>17,394,587</u>
Cash flows from noncapital financing activities:		
Contributions - DRIP program	<u>52,123</u>	<u>66,195</u>
Cash flows from capital and related financing activities:		
Proceeds from issuance of bonds	96,452,968	-
Repayment of bonds payable	(4,812,000)	(2,970,000)
Transfer out to defeased bonds escrow account	(83,135,260)	-
Proceeds from issuance of note payable	1,387,914	-
Loan and administrative costs incurred	(931,940)	-
Interest paid	(2,092,339)	(2,950,655)
Acquisition of capital assets	(14,160,714)	(4,550,839)
Acquisition of intangible assets	(9,510)	(76,939)
Proceeds from return of equipment/ sale of assets	67,138	125,319
Repayment of lease liability	(3,438)	(3,437)
Collection of lease receivable	<u>10,030</u>	<u>9,958</u>
Net cash used in capital and related financing activities	<u>(7,227,151)</u>	<u>(10,416,593)</u>
Cash flows from investing activities:		
Interest income	<u>135,419</u>	<u>43,532</u>
Net cash provided by investing activities	<u>135,419</u>	<u>43,532</u>
Net increase in cash and cash equivalents	5,995,247	7,087,721
Cash and cash equivalents, beginning of year (includes restricted cash of \$183,405)	<u>33,730,046</u>	<u>26,642,325</u>
Cash and cash equivalents, end of year (includes restricted cash of \$10,158,523)	<u>\$ 39,725,293</u>	<u>\$ 33,730,046</u>

Continued

See accompanying notes to financial statements.

Coweta County Water & Sewerage Authority
 STATEMENTS OF CASH FLOWS
 For the Years Ended June 30, 2022 and 2021

<i>Continued</i>	<u>2022</u>	As Restated <u>2021</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 7,968,330	\$ 11,169,878
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	5,804,410	5,608,792
Proceeds from Community Development Block Grant	-	258,024
(Increase) decrease in:		
Receivables, net	(220,306)	(143,456)
Other receivables	187,913	967,986
Georgia Environmental Finance Authority (GEFA)	(1,387,914)	-
Inventories	(245,133)	(56,599)
Prepaid assets	(159,672)	(104,590)
Increase (decrease) in:		
Accounts payable	755,263	(393,179)
Accrued liabilities	319,127	84,797
Compensated absences	1,593	5,614
Deposits payable	<u>11,245</u>	<u>(2,680)</u>
Net cash provided by operating activities	<u>\$ 13,034,856</u>	<u>\$ 17,394,587</u>
Non-cash investing, capital and financing activities:		
Interest accrued on bonds	<u>\$ 181,316</u>	<u>\$ 237,354</u>
Amortization of bond premium	<u>\$ 62,570</u>	<u>\$ 321,457</u>
Capital assets, contributed by developers and entities	<u>\$ 3,164,864</u>	<u>\$ 1,292,765</u>

See accompanying notes to financial statements.

Coweta County Water and Sewerage Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

On March 20, 2001, the General Assembly of the State of Georgia approved enabling legislation to create the Coweta County Water & Sewerage Authority (the Authority). However, prior to May 1, 2007, the operating activities of the water and sewerage system of Coweta County were reported in the Water and Sewer Fund of Coweta County, Georgia. On May 1, 2007, the Authority began operations as a separate entity.

The purpose of the Authority is to manage the water and sewer systems of Coweta County and they are empowered to do all things necessary to accomplish this purpose.

Reporting Entity

In defining the Authority for financial reporting purposes, Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus* – an amendment of GASB Statements No. 14 and No. 34, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* establishes the basis for the reporting entity and whether it is considered a component unit of another entity and whether other entities are component units. Review of these statements has resulted in the conclusion that the Authority is considered to be a component unit of Coweta County, Georgia. There are also no other entities that are considered to be component units of the Authority.

A financial burden or benefit relationship exists between the entities. The County appoints all board members of the Authority. The Authority and Coweta County have entered into an intergovernmental agreement whereby the County is obligated to make certain Revenue Bond debt service payments in the event of default by the Authority (Series 2005 only). The Agreement represents a general obligation of the County to which its full faith and credit are pledged.

Financial Statement Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the GASB and are presented as required by these standards to provide a comprehensive, entity-wide perspective of the Authority's assets, liabilities, net position, revenues, expenses, changes in net position and cash flows.

Operating revenues and expenses generally result from the sale of water and sewerage service. Operating expenses include costs of maintaining and providing water and sewerage service including administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Therefore, transactions, which are capital, financing or investing related, are reported as non-operating revenues and interest expense and financing costs are reported as non-operating expenses.

Basis of Accounting

For financial reporting purposes, the Authority is considered a special-purpose government engaged only in business-type activities. Accordingly, the Authority's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expense are recorded when an obligation has been incurred.

Coweta County Water and Sewerage Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include money on hand, demand deposits at banks, certificates of deposit with a maturity of one year or less, and money market investments.

Receivables

All receivables are reported at their gross value and are reduced by the estimated portion that is expected to be uncollectible. Unbilled revenues are recognized at the end of each fiscal year based on billings during the month following the close of the fiscal year.

Inventories

Inventories are presented at the lower of cost or net realizable value on a first-in, first-out basis and are expensed when used.

Capital Assets

Property, plant, and equipment purchased or acquired with an original cost of \$5,000 or more are reported at historical cost. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Donated capital assets are valued at their estimated fair market value on the date received. Gains and losses on disposal of property, plant and equipment are reflected in current income. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

The estimated useful lives for each major class of depreciable capital assets are as follows:

Vehicles	5 years
Equipment	10 years
Sewer plants	10-25 years
Pump stations	20 years
Pipeline	50 years
Buildings	25-50 years
Infrastructure	50 years

Intangible Assets

The Authority participates in a water purchase agreement with the City of Griffin, Georgia, obligating it to purchase certain minimum amounts of water over a period of years. The Authority entered into the agreement on December 14, 1999. It was modified by mutual agreement on September 11, 2012. The Authority made a payment in the amount of \$9,000,000 in exchange for a modification of the minimum amounts of water it must take, from July 1, 2012 through the end of the contract. The monies paid funded improvements to the regional water supply system. The amount paid for the contract modification is recorded as an intangible asset and treated in accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

Coweta County Water and Sewerage Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Leases

Lessee:

The Authority is a lessee for noncancelable leases of equipment. The Authority recognizes a lease liability and an intangible right-to-use lease asset (lease assets) on the financial statements. The Authority recognizes lease liabilities with an initial, aggregate value of approximately \$22,600.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price (if available) that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported stand-alone debt on the statement of net position.

Lessor:

The Authority is a lessor for a noncancellable lease of property. The Authority recognizes a lease receivable and a deferred inflow of resources on the financial statements.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

(The notes to the basic financial statements continue on the next page)

Coweta County Water and Sewerage Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Key estimates and judgments include how the Municipality determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Management's Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management's estimates. Actual results could differ from these estimates.

Restricted Assets

The Authority is custodian of restricted assets to be used for educational purposes, DRIP Program and projects funded by bond issuance at June 30, 2022 and June 30, 2021.

Net Position

The Authority recognizes the difference between its assets and liabilities as net position. Net position categories for the Authority include the following:

Net investment in capital assets – comprised of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets

Restricted – comprised of assets when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments

Unrestricted – the remaining balance of net position

Bond Issuance Costs, Bond Discounts, and Bond Premiums

The Authority accounts for bond issuance cost in accordance with the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Bond issuance costs (related to insurance) are recorded as deferred charges, whereas bond discounts and premiums are recorded as a reduction of, or addition to, the face amount of bonds payable. All other bond issuance costs are expensed as incurred. Amortization of bond issuance costs, bond discounts, and bond premiums is calculated over the life of the bonds using the straight-line method and is reported as a component of interest expense.

Coweta County Water and Sewerage Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Compensated Absences

It is the policy of the Authority to permit employees to accumulate earned but unused vacation and sick pay benefits, up to 600 hours. Only one-half (50%), up to 300 hours, of the accrued paid time off will be paid out upon the separation of employment, for any reason. A liability is not reported for unpaid accumulated sick leave which does not vest and is not paid upon termination. Vacation pay is accrued when incurred in the Authority's financial statements.

Deferred Inflows and Outflows of Resources

GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, established accounting and financial reporting for deferred outflows/inflows of resources and the concept of net position as the residual of all elements presented in a statement of net position.

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

In addition to liabilities, the statement of net position will sometimes report separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Authority only has one item that qualifies for reporting in this category. The *deferred revenue on leases* is reported in the Authority's statement of net position. A deferred revenue on leases results from the difference in the carrying value of the lease receivable and its reacquisition price. This amount is deferred and amortized as revenue over the life of the lease agreement.

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 the nonexchange transactions or ancillary activities.

When an expense is incurred for purposes for which there are both restricted and unrestricted resources 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.

Coweta County Water and Sewerage Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Contributions

Capital

At times, the Authority receives contributions of capital assets from developers in the form of donated lines which became part of the distribution system. Contributions to the Authority are reported after non-operating revenue and expenses.

Other

The Authority has partnered with the Coweta Community Foundation, Inc., a Georgia non-profit corporation, to provide their customers an opportunity to support other non-profits in their community by rounding-up their monthly water and sewer bills. The program, named DRIP, received \$127,123 and \$133,695 for the years ended June 30, 2022 and June 30, 2021, respectively. Additionally, during the years ended June 30, 2022 and 2021, the Authority distributed \$75,000 and \$67,500, respectively, in awards to Coweta Community Foundation, Inc. which were earmarked for multiple non-profit organizations (\$7,500 each).

Fair Value Measurements

The Authority has adopted the provisions of the GASB Statement No. 72, *Fair Value Measurement and Application*. GASB 72 establishes an authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair-value measurements.

Assets and liabilities recorded at fair value in the Statement of Net Position are categorized based upon the level of judgment associated with inputs used to measure their fair value. Level inputs are defined as:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets and liabilities in active markets, or quoted market prices for identical assets or liabilities in active markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

NOTE 2 – IMPLEMENTATION OF NEW ACCOUNTING STANDARD

In 2022, the Authority implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This statement improves accounting and financial reporting for leases; enhances the comparability of financial statements between governments; and also enhances the relevance, reliability, and consistency of information about the leasing activities of governments. The effect of the implementation of this standard on beginning net position is disclosed in Note 13.

Coweta County Water and Sewerage Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2021

NOTE 3 – CASH AND CASH EQUIVALENTS

The Authority's available cash is placed in demand deposit accounts, money market (insured cash sweep) accounts, money market treasury accounts and certificate of deposits. The carrying amounts of the cash and cash equivalents at June 30 consist of the following:

	<u>2022</u>	<u>2021</u>
Unrestricted:		
Demand deposit accounts:	\$ 4,504,818	\$ 7,752,839
Money market funds	507,585	5,887,345
Certificate of Deposits	24,552,687	19,904,777
Petty Cash	<u>1,680</u>	<u>1,680</u>
Total Unrestricted Cash and Cash Equivalents	<u>29,566,770</u>	<u>33,546,641</u>
Restricted:		
Demand deposit accounts:	678,409	183,405
Government Bonds	2,482,084	-
U.S. Treasury Bills	<u>6,998,030</u>	<u>-</u>
Total Restricted Cash and Cash Equivalents	<u>10,158,523</u>	<u>183,405</u>
Total Cash and Cash Equivalents	<u>\$ 39,725,293</u>	<u>\$ 33,730,046</u>

Deposits Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits. State statutes require all deposits and investment amounts that exceed standard depository insurance limits are required to be collateralized. The Authority is a depositor with banks that participates in the State of Georgia Secure Deposit Program and the State of Alabama Security for Alabama Enhancement Act, SAFE Program. As such, all of the Authority's financial institutions balances were insured and collateralized at June 30, 2022 and 2021.

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

NOTE 4 – RECEIVABLES

Receivables at June 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Customer accounts	\$ 2,160,248	\$ 1,949,497
Less allowance for doubtful accounts	<u>(330,113)</u>	<u>(339,668)</u>
Total customer accounts	1,830,135	1,609,829
Other receivable	303,515	491,428
GEFA receivable	<u>1,387,914</u>	<u>-</u>
Receivables, net	<u>\$ 3,521,564</u>	<u>\$ 2,101,257</u>

Coweta County Water and Sewerage Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2021

NOTE 5 – CAPITAL ASSETS

A summary of capital assets follows:

	As restated Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
Non-depreciable assets				
Land	\$ 6,735,400	\$ 2,682,408	\$ -	\$ 9,417,808
Construction in progress	<u>1,400,442</u>	<u>10,750,982</u>	<u>(453,233)</u>	<u>11,698,191</u>
Total non-depreciable assets	<u>8,135,842</u>	<u>13,433,390</u>	<u>(453,233)</u>	<u>21,115,999</u>
Depreciable assets				
Site improvements	2,491,736	47,067	-	2,538,803
Infrastructure-Water	132,432,660	3,166,294	(67,138)	135,531,816
Infrastructure-Sewer	28,815,943	635,100	-	29,451,043
Buildings	38,430,782	-	-	38,430,782
Machinery and equipment	3,357,089	215,201	-	3,572,290
Furniture and fixtures	425,085	124,477	-	549,562
Vehicles	2,009,704	157,282	-	2,166,986
Capitalized interest	<u>369,258</u>	<u>-</u>	<u>-</u>	<u>369,258</u>
Total depreciable assets	<u>208,332,257</u>	<u>4,345,421</u>	<u>(67,138)</u>	<u>212,610,540</u>
Less accumulated depreciation				
Site improvements	(2,159,336)	(69,327)		(2,228,663)
Infrastructure-Water	(48,274,767)	(3,409,189)	-	(51,683,956)
Infrastructure-Sewer	(6,106,534)	(650,845)	-	(6,757,379)
Buildings	(11,119,084)	(762,498)	-	(11,881,582)
Machinery and equipment	(2,047,877)	(279,151)	-	(2,327,028)
Furniture and fixtures	(345,076)	(37,521)	-	(382,597)
Vehicles	(1,474,322)	(238,678)	-	(1,713,000)
Capitalized interest	<u>(195,707)</u>	<u>(7,385)</u>	<u>-</u>	<u>(203,092)</u>
Total accumulated depreciation	<u>(71,722,703)</u>	<u>(5,454,594)</u>	<u>-</u>	<u>(77,177,297)</u>
Net depreciable assets	<u>136,609,554</u>	<u>(1,109,173)</u>	<u>(67,138)</u>	<u>135,433,243</u>
Intangible assets				
Contract modification	9,000,000	-	-	9,000,000
Right to use assets - equipment	14,870	7,772	-	22,642
Computer software enhancements	593,771	9,510	-	603,281
Less accumulated amortization	<u>(2,548,564)</u>	<u>(349,816)</u>	<u>-</u>	<u>(2,898,380)</u>
Net intangible assets	<u>7,060,077</u>	<u>(332,534)</u>	<u>-</u>	<u>6,727,543</u>
Capital assets, net	<u>\$ 151,805,473</u>	<u>\$ 11,991,683</u>	<u>\$ (520,371)</u>	<u>\$ 163,276,785</u>

Coweta County Water and Sewerage Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2021

NOTE 6 – LEASES

Lease Receivable

On July 1, 2020, the Authority implemented the guidance in GASB No. 87, *Leases*, and recognized the value of a property lease under long-term contracts. The Authority has one lease agreement which meets the criteria of a lease, Skyway Towers, LLC (Tenant) property lease. The term of the lease is for five years with renewal options of four (4) successive five (5) year periods, maturity of the lease is December 31, 2038.

The Tenant agrees to pay the Authority on the first day of each month \$1,200, with lease increases annually on the anniversary of the commencement date by an amount equal to 3% of the lease from the previous year. At June 30, 2022 and 2021, the monthly lease payments to be received totaled \$1,520 and \$1,476, respectively.

On the date of adoption, the lease receivable is measured as the present value of the future minimum lease payments expected to be received during the lease term at a discount rate of 2.5%, which is the implied rate based on the Authority's current borrowing rate. At June 30, 2020, the present value of the future minimum lease payments totaled \$322,265. For the years ended June 30, 2022 and 2021, the Authority recognized \$18,042 in lease revenue and \$7,945 and 7,494 in interest revenue, respectively, under the lease agreement.

Minimum future lease collections are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 10,828	\$ 7,685	\$ 18,513
2024	11,666	7,405	19,071
2025	12,539	7,103	19,642
2026	13,452	6,780	20,232
2027	14,407	6,432	20,839
2028-2032	87,892	26,064	113,956
2033-2037	118,865	13,243	132,108
2038-2039	42,628	854	43,482
Total	<u>\$ 312,277</u>	<u>\$ 75,566</u>	<u>\$ 387,843</u>

(The notes to the basic financial statements continue on the next page)

Coweta County Water and Sewerage Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2021

NOTE 6 – LEASES – continued

Lease Liabilities

On July 1, 2020, the Authority implemented the guidance in GASB No. 87, *Leases*, for accounting and reporting leases that had been previously reported as operating leases.

The Authority, as a lessee, has entered into lease agreements involving three (4) copiers and is required to make principal and interest payments over the lease term. The Authority leases the copiers from Standard Office Systems of Atlanta, Inc, for term of sixty (60) months. The required minimum lease payments range from \$119 to \$137 per month, plus additional charges for excess usage and excluding applicable sales taxes. For purposes discounting future payments on the leases, the Authority used the implicit interest rate of 2.5% which was determined by the current incremental borrowing rate of the Authority. The leased equipment and accumulated amortization of the right-to-use assets are included with intangible assets on note 5.

Minimum lease payments over the next five years include:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 5,082	\$ 304	\$ 5,386
2024	2,951	209	3,160
2025	3,026	135	3,161
2026	2,219	63	2,282
2027	<u>1,498</u>	<u>19</u>	<u>1,517</u>
Total	<u>\$ 14,776</u>	<u>\$ 730</u>	<u>\$ 15,506</u>

(The notes to the basic financial statements continue on the next page)

Coweta County Water and Sewerage Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2021

NOTE 7 – LONG-TERM DEBT

Revenue Bonds

The Authority issues bonds to construct and maintain the water and sewerage system of Coweta County. During the year ended June 30, 2022, the Authority entered into a bond resolution and issued Series 2021 Bonds (The “Bond Resolution”). The Bond Resolution, among other things, authorizes (A) the issuance and delivery of the Series 2021 Bonds (Series 2021A, \$55,000,000 and Series 2021B, \$17,255,000) and (b) the refunding and defeasance of the Refunded Bonds. Also, simultaneously, Zions Bancorporation, N. A. made a direct purchase of \$22,803,000 in aggregate principal amount of Series 2021C Bonds, which are issued under the Bond Resolution. The original amount of revenue bonds issued in current and prior years is \$95,058,000. Revenue bonds outstanding at June 30, 2022 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Series 2021A - partial refunding of 2005, 2014, 2015, 2016, 2017 and 2019 bond issues	2.0 - 2.65%	\$ 51,985,000
Series 2021B - partial refunding of 2005, 2014, 2015, 2016, 2017 and 2019 bond issues	2.13 - 3.0%	17,255,000
Series 2021C - partial refunding of 2005, 2014, 2015, 2016, 2017 and 2019 bond issues	3.01%	<u>21,006,000</u>
		<u>\$ 90,246,000</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 3,860,000	\$ 2,162,490	\$ 6,022,490
2024	2,970,000	2,078,342	5,048,342
2025	3,113,000	1,935,371	5,048,371
2026	3,204,000	1,844,691	5,048,691
2027	3,268,000	1,780,202	5,048,202
2028-2032	17,354,000	7,886,969	25,240,969
2033-2037	19,274,000	5,963,369	25,237,369
2038-2042	21,663,000	3,551,032	25,214,032
2043-2047	<u>15,540,000</u>	<u>792,251</u>	<u>16,332,251</u>
Total	<u>\$ 90,246,000</u>	<u>\$ 27,994,717</u>	<u>\$ 118,240,717</u>

Pledged Revenues

The Authority has pledged future water and sewer revenues to repay the original bond indebtedness of \$95,058,000. The debt is payable solely from water and sewer revenues and is payable through 2046.

The total principal and interest remaining to be paid is \$118,240,717. Principal and interest payments for the year ending June 30, 2022 and 2021 were \$6,466,573 and \$5,900,184, respectively, which is approximately 23% and 22%, respectively, of operating revenues.

Coweta County Water and Sewerage Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2021

NOTE 7 – LONG-TERM DEBT - *continued*

Advance Refunding and Defeased Debt

On July 8, 2021, the Authority issued \$55,000,000 in Series 2021A revenue refunding taxable bonds with interest rates ranging from 2.0% - 2.65%.

On July 8, 2021, the Authority issued \$17,255,000 in Series 2021B revenue bonds with interest rates ranging from 2.125% - 3.0%.

Simultaneously with the issuance of the Series 2021A/B Bonds, the Authority will issue the Series 2021C Bonds under the Bond Resolution on parity with the Series 2021A/B Bonds. The Series 2021C Bonds will evidence a direct purchase (\$22,803,000) from Zions Bancorporation, N. A. (Bank Lender) and are not offered for sale pursuant to this Official Statement. The Series 2021C Bonds will be delivered in registered form to the Bank Lender in minimum denominations of \$100,000 and integral multiples of \$1,000 in excess thereof. The Series 2021C Bonds will mature on June 1, 2041.

The Authority used the Series 2021A bond proceeds to provide funds to pay (a) advance refund a portion of the Refunded Bonds, which are currently outstanding in the aggregate principal amount of \$52,685,000, and (b) pay a portion of the costs of issuing the Series 2021 Bonds.

The Authority used the Series 2021B bond proceeds to provide funds to pay (a) costs of the Project, (b) capitalized interest on the Series 2021B Bonds, and (c) a portion of the costs of issuance of the Series 2021 Bonds.

The Authority used the Series 2021C bond proceeds to provide funds to pay (a) advance refund a portion of the Refunded Bonds, which are currently outstanding in the aggregate principal amount of \$20,830,000 and (b) pay a portion of the costs of issuing the Series 2021 Bonds.

At June 30, 2022, the Authority had \$70,425,000 of bonds which were legally defeased and remain outstanding.

(The notes to the basic financial statements continue on the next page)

Coweta County Water and Sewerage Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2021

NOTE 7 – LONG-TERM DEBT - continued

Changes in Long-term Debt

Long-term liability activity for the year ended June 30, 2022 is as follows:

	As Restated Outstanding July 1, 2021	Additions	Reductions	Outstanding June 30, 2022	Amounts Due in One Year
Bonds payable					
Series 2005	\$ 11,970,000	\$ -	\$(11,970,000)	\$ -	\$ -
Series 2014A	8,975,000	-	(8,975,000)	-	-
Series 2014B	1,320,000	-	(1,320,000)	-	-
Series 2015A	8,295,000	-	(8,295,000)	-	-
Series 2016A	8,465,000	-	(8,465,000)	-	-
Series 2016B	11,280,000	-	(11,280,000)	-	-
Series 2017A	7,830,000	-	(7,830,000)	-	-
Series 2017B	100,000	-	(100,000)	-	-
Series 2019	15,280,000	-	(15,280,000)	-	-
Series 2021A	-	55,000,000	(3,015,000)	51,985,000	2,515,000
Series 2021B	-	17,255,000	-	17,255,000	-
Series 2021C	-	22,803,000	(1,797,000)	21,006,000	1,345,000
Total bonds payable	73,515,000	95,058,000	(78,327,000)	90,246,000	3,860,000
Bond premiums	3,958,135	1,332,399	(3,958,135)	1,332,399	(62,570)
Bond discounts	(73,737)	-	73,737	-	-
Total bonds payable	77,399,398	96,390,399	(82,211,398)	91,578,399	3,797,430
Notes payable	5,072,506	1,387,914	-	6,460,420	-
Lease Liability	11,338	7,772	(4,334)	14,776	5,082
Deposits	1,451,636	18,645	(7,400)	1,462,881	-
Compensated absences	250,891	432,747	(431,154)	252,484	169,164
	<u>\$ 84,185,769</u>	<u>\$ 98,237,477</u>	<u>\$(82,654,286)</u>	<u>\$ 99,768,960</u>	<u>\$ 3,971,676</u>

(The notes to the basic financial statements continue on the next page)

Coweta County Water and Sewerage Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2021

NOTE 7 – LONG-TERM DEBT – Continued

Loan from the Georgia Environmental Finance Authority

On April 6, 2018, (third modification on July 27, 2022), the Authority entered into a loan agreement with the State of Georgia Environmental Finance Authority (GEFA) Drinking Water State Revolving Fund in the amount up to \$7,400,000 (third modification \$8,800,000) with interest rate of .89% on the unpaid principal. The draws on the loan will be used for the replacement of manual read water meters with an advanced metering infrastructure system (AMI), backflow preventers and related appurtenances and to repair and replace various facility components of the BT Brown Water Treatment Plant. Accrued interest on this Note shall be payable on the first day of each month until the first day of the month following the earlier of (1) completion date, (2) June 1, 2023, or (3) the date the note is fully disbursed (Amortization Commencement Date). Principal and interest on this Note will then be payable in two hundred thirty-nine (239) consecutive monthly payments commencing on the first day of the Amortization Commencement Date. At June 30, 2022 and 2021, \$5,494,820 and \$5,072,506, respectively, in draws on this agreement have been made. At June 30, 2022 and 2021, interest expense related to this note payable totaled \$40,904 and \$23,555, respectively. At June 30, 2022 and 2021, there was \$3,335 in accrued interest with regard to the GEFA Loan.

On March 23, 2022, the Authority entered into a loan agreement with the State of Georgia Environmental Finance Authority (GEFA) Clean Water State Revolving Fund in the amount up to \$25,000,000 with interest rate of .86% on the unpaid principal. The draws on the loan will be used increase the capacity and make improvements at the Shenandoah Wastewater Treatment Facility, install a 36-inch outfall line, and related appurtenances. Accrued interest on this Note shall be payable on the first day of each month until the first day of the month following the earlier of (1) completion date, (2) July 1, 2024, or (3) the date the note is fully disbursed (Amortization Commencement Date). Principal and interest on this Note will then be payable in three hundred fifty-nine (359) consecutive monthly payments commencing on the first day of the Amortization Commencement Date. At June 30, 2022, \$965,600 in draws on this agreement have been made. At June 30, 2022 there had not been any interest expense related to this note payable.

NOTE 8 – NET INVESTMENT IN CAPITAL ASSETS

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

	<u>2022</u>	As Restated <u>2021</u>
Net capital assets	\$ 163,276,785	\$ 151,805,473
Debt related to capital assets	(98,053,595)	(82,483,244)
Debt related to deferred outflows	<u>10,241,964</u>	<u>5,436,481</u>
End of year	<u>\$ 75,465,154</u>	<u>\$ 74,758,710</u>

(The notes to the basic financial statements continue on the next page)

Coweta County Water and Sewerage Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2021

NOTE 9 – RETIREMENT PLANS

Defined Contribution Plan

On January 1, 2012, the Authority created a defined contribution plan managed by One America. On March 1, 2019 the Authority changed managers of the plan to Empower Retirement. The Board of the Authority has established the benefit terms and may amend them from time to time. Participants become vested in employer contributions at a rate of 20 percent per year over a five-year period. Employees are 100 percent vested in their own contributions. Forfeitures are used to either, reduce plan expenses or are allocated to the participants. Forfeitures of \$22,269 were used to reduce plan expenses for June 30, 2022. At June 30, 2021, there were no forfeitures.

The Authority makes a contribution for all employees equal to 3 percent of employee compensation. In addition, the Authority matches employee contributions dollar for dollar (100%) up to 3.5 percent of compensation. If an employee's contributions exceed 3.5 percent, then the next 4 percent of contributions are matched at 50 cents for every dollar (50%). Additional discretionary contributions may be made by the Authority from time to time. During the years ended June 30, 2022 and 2021, the Authority contributed \$432,455 and \$413,187 to the plan, respectively. No accrual for contributions was necessary at June 30, 2022 and 2021.

NOTE 10 – 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 maintains commercial insurance covering each of the above risks of loss. Management believes that the coverage is adequate to preclude any significant uninsured risk to the Authority.

Health

The Authority purchases health insurance coverage for its employees from a commercial carrier. The Authority's liability is limited to the amount of premiums paid.

Worker's Compensation

The Authority purchases, worker's compensation insurance coverage for its employees from a commercial carrier. The coverage provided is equal to the statutory limits and benefits required by the laws of the State of Georgia. The policy pays all claims in excess of \$2,500 per claim deductible.

There were no significant reductions in insurance coverage from the prior year, and there have been no settlements that exceeded the Authority's insurance coverage in the past year.

(The notes to the basic financial statements continue on the next page)

Coweta County Water and Sewerage Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2021

NOTE 11 – COMMITMENTS & CONTINGENCIES

Construction

During the year ended June 30, 2022, the Authority had entered into \$15,843,775 of construction contracts for the improvement and expansion of the water and sewerage system. As of June 30, 2022, the balance of all contracts totaled \$9,444,312, including \$502,869 of retainage payable within the accrued liabilities on the statement of net position.

During the year ended June 30, 2021, the Authority entered into \$545,140 of construction contracts for the renovation, improvement and expansion of the water and sewerage system. As of June 30, 2021, the remaining balance of all contracts in process totaled \$523,852.

Water Purchases

The Authority has entered into contracts with three jurisdictions for the wholesale purchase of water.

On February 8, 2019, the Authority entered into a contract with Newnan Utilities that requires the purchase of varying amounts of water until February 7, 2029. For the period from February 8, 2020 to February 7, 2021, the Authority must purchase a minimum 2.4 million gallons per day (mgd). Beginning February 8, 2021 until February 7, 2022, the amount decreases to 1.8 mgd. Beginning February 8, 2022 until the end of the agreement on February 7, 2029, the amount decreases to 1.25 mgd. For the year ended June 30, 2022, purchases under this contract amounted to 574,500,000 gallons and totaled \$1,390,290. For the year ended June 30, 2021, purchases under this contract amounted to 786,000,000 gallons and totaled \$1,902,120. At June 30, 2022 and 2021, the rate charged under the agreement was \$2.42 per 1,000 gallons.

The Authority has a contract with the City of Griffin, Georgia which requires the purchase of varying amounts of water until the year 2049. The contract was revised through mutual agreement of the parties on September 11, 2012. For the year ended June 30, 2022, purchases under this contract amounted to 1,088,683,800 gallons and totaled \$3,447,117. For the year ended June 30, 2021, purchases under this contract amounted to 1,061,112,740 gallons and totaled \$3,174,257. The required purchases under this contract are for 3.0 million gallons per day (mgd) from July 1, 2012 through June 30, 2022. Required purchases then increase to 5.0 mgd from July 1, 2022 through December 31, 2049. Rates are adjusted on an annual basis as set forth in the contract. At June 30, 2022 and 2021, the rate charged under the agreement was \$3.36 and \$2.98 per 1,000 gallons, respectively.

The Authority has a contract with the City of Atlanta that allows for the purchase of up to 6.6 million gallons per day. No minimum purchase is required under the agreement.

Related Party Agreement

At the time of separation from Coweta County, Georgia, the Authority retained three (3) employees that qualified for the Coweta County, Georgia's post-retirement plan. The Authority does not have a post-retirement plan, therefore the Authority agreed to reimburse Coweta County, Georgia the pro-rata share of the retirees post-retirement health care cost. The Authority's unknown liability will be limited to the pro-rata share of the actual premiums charged.

Coweta County Water and Sewerage Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2021

NOTE 12 – FAIR VALUE MEASUREMENTS

The following summarizes financial instruments measured on a recurring basis within the fair value hierarchy as of June 30, 2022 and 2021. These instruments are included in “Cash and cash equivalents” on the Authority’s statement of position.

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2021:				
Money Market Funds	\$ 5,887,345	\$ 5,887,345	\$ -	\$ -
Certificates of Deposit	<u>19,904,777</u>	<u>-</u>	<u>19,904,777</u>	<u>-</u>
	<u>\$ 25,792,122</u>	<u>\$ 5,887,345</u>	<u>\$ 19,904,777</u>	<u>\$ -</u>
June 30, 2022:				
Money Market Funds	\$ 507,585	\$ 507,585	\$ -	\$ -
Certificates of Deposit	24,552,687	-	24,552,687	-
Government Bonds	2,482,084	2,482,084	-	-
Treasury Bills	<u>6,998,030</u>	<u>6,998,030</u>	<u>-</u>	<u>-</u>
	<u>\$ 34,540,386</u>	<u>\$ 9,987,699</u>	<u>\$ 24,552,687</u>	<u>\$ -</u>

NOTE 13 – CHANGE IN ACCOUNTING PRINCIPAL

On July 1, 2020, the Authority adopted GASB 87, *Leases*. As a result of the adoption the following prior year adjustment was necessary:

Net Position, July 1, 2020 as previously reported	\$97,357,528
Accounting principal change:	
Implementation of GASB Statement No. 87, <i>Leases</i>	<u>(788)</u>
Net Position, July 1, 2020, as restated	<u>\$97,356,740</u>

NOTE 14 – SUBSEQUENT EVENTS

The Authority evaluated subsequent events through December 29, 2022, the date of the auditors’ report (which is also the date the financial statements were available to be issued). Except for the event noted below, no other events have occurred that would require disclosure in the financial statements, or the notes thereto, for the year ended June 30, 2022.

On July 28, 2022, the Authority and GEFA executed a modification agreement to loan no, DW2016012, Drinking Water State Revolving Fund. The modification increased the loan from \$7,400,000 to \$8,800,000. The purpose of the modification is to include repair and replace various facility components of the BT Brown Water Treatment Plant. Terms of the agreement remained unchanged, except the completion date was extended to February 2023. This extension provides an extension on when principal and interest will begin.

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 Members
Coweta County Water & Sewerage Authority
Newnan, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Coweta County Water & Sewerage Authority, component unit of Coweta County, Georgia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Coweta County Water & Sewerage Authority's basic financial statements, and have issued our report thereon dated December 29, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Coweta County Water & Sewerage 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Coweta County Water & Sewerage Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Coweta County Water & Sewerage 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 may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Yours truly,

A handwritten signature in blue ink that reads "J. K. Boatwright & Co., P.C.".

J. K. BOATWRIGHT & CO., P. C.
Certified Public Accountants
December 29, 2022

15 North Lafayette Square LaGrange, Georgia 30240
P.O. Box 1107 LaGrange, Georgia 30241
Phone: 706-884-4605 Fax: 706-845-0057

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board Members
Coweta County Water & Sewerage Authority
Newnan, Georgia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Coweta County Water & Sewerage Authority's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Coweta County Water & Sewerage Authority's major federal programs for the year ended June 30, 2022. Coweta County Water & Sewerage Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Coweta County Water & Sewerage Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Coweta County Water & Sewerage Authority and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Coweta County Water & Sewerage Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws,

statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Coweta County Water & Sewerage Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Coweta County Water & Sewerage Authority's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Coweta County Water & Sewerage Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Coweta County Water & Sewerage Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Coweta County Water & Sewerage Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Coweta County Water & Sewerage Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Yours truly,

A handwritten signature in blue ink that reads "J. K. Boatwright & Co., P.C.".

J. K. BOATWRIGHT & CO., P.C.

Certified Public Accountants

LaGrange, Georgia

December 29, 2022

Coweta County Water & Sewerage Authority
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2022

<u>Federal Grantor/Program Title</u>	<u>Federal ANL Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditure</u>
<u>United States Environment Protection Agency</u>			
<u>Drinking Water State Revolving Fund</u>			
Pass Through Payments:			
Georgia Environmental Finance Authority			
Clean Water State Revolving Funds	66.458	CW2021032	\$ <u>965,600</u>
 Total Expenditures of Federal Awards			 \$ <u>965,600</u>

Coweta County Water & Sewerage Authority
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2022

Note 1 - General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards received by Coweta County Water & Sewerage Authority (the Authority) . All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included in this schedule.

Note 2 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting which is described in Note 1 - Summary of Significant Accounting Policies to the Authority's basic financial statements. Expenditures are recognized following the applicable cost principles contained in either Title 2 U. S. Code of Federal *Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") or the OMB A-87, *Cost Principles for State, Local, and Indian Tribal Governments* , wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Loans

Drinking Water State Revolving Fund, administered by Georgia Environmental Finance Authority (GEFA) issued a loan on April 6, 2018, modified on July 27, 2022 to replace manual read water meters with advanced metering infrastructure system (AMI), backflow preventers and related appurtenances. Modified to include repair and replace various facility components of the BT Brown Water Treatment Plant. This loan program under ANL #66.468, had an outstanding balance of \$5,494,820 at June 30, 2022.

Additionally, Clean Water State Revolving Fund, administered by GEFA issued a second loan on March 23, 2022 to increase the capacity and make improvements at the Shenandoah Water Treatment Facility, including the installation of a 36-inch outfall line, and related appurtenances. This loan program under ANL #66.458, had an outstanding balance of \$965,600 at June 30, 2022.

Note 4 - Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports.

Note 5 - De Minimis Indirect Cost Rate

The Authority has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

Coweta County Water & Sewerage Authority
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
66.458	Clean Water State Revolving Fund

Dollar threshold used to distinguish between Type A and Type B programs?	\$750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

**DRINKING WATER STATE REVOLVING FUND, ADMINISTERED BY GEORGIA
ENVIRONMENTAL FINANCE AUTHORITY**

(a public corporation duly created and
existing under the laws of
the State of Georgia)
as Lender

and

COWETA COUNTY WATER AND SEWERAGE AUTHORITY
(a public body corporate and politic duly created and existing
under the laws of the State of Georgia)
as Borrower

LOAN AGREEMENT

LOAN AGREEMENT

**DO NOT
DATE
THIS PAGE**

This **LOAN AGREEMENT** (this "**Agreement**") dated 20____, by and between **COWETA COUNTY WATER AND SEWERAGE AUTHORITY**, a Georgia public body corporate and politic (the "**Borrower**"), whose address for purposes of this Agreement shall be **545 CORINTH ROAD, NEWNAN, GEORGIA 30263**, and **DRINKING WATER STATE REVOLVING FUND, ADMINISTERED BY GEORGIA ENVIRONMENTAL FINANCE AUTHORITY**, a Georgia public corporation (the "**Lender**"), whose address for purposes of this Agreement shall be 233 Peachtree St, NE, Peachtree Center-Harris Tower, Ste 900, Atlanta, GA 30303-1506.

1. **Background** - The Lender desires to loan to the Borrower **SEVEN MILLION DOLLARS AND ZERO CENTS (\$7,000,000)** from the **DRINKING WATER STATE REVOLVING FUND, ADMINISTERED BY GEORGIA ENVIRONMENTAL FINANCE AUTHORITY** (the "**Fund**") to finance the costs of acquiring, constructing, and installing the environmental facilities described in Exhibit A attached hereto (the "**Project**"). The Environmental Protection Division ("**EPD**") of the Department of Natural Resources of the State of Georgia has completed all existing statutory reviews and approvals with respect to the Project, as required by Section 50-23-9 of the Official Code of Georgia Annotated, and has approved or will approve the detailed plans and specifications (the "**Plans and Specifications**") for the Project prepared or to be prepared by the Borrower's engineer (the "**Engineer**"), which may be amended from time to time by the Borrower but subject to the approval of the EPD.

2. **Loan** - Subject to the terms and conditions of this Agreement, the Lender agrees to make the following loan or loans (collectively, the "**Loan**") available to the Borrower:

(a) The Lender agrees to advance to the Borrower, on or prior to the earlier of (1) the Completion Date (as hereinafter defined) or (2) **FEBRUARY 1, 2024**, or (3) the date that the loan evidenced by this Note is fully disbursed, the Loan in a principal amount of up to **\$7,000,000**, which Loan may be disbursed in one or more advances but each such disbursement shall reduce the Lender's loan commitment hereunder and any sums advanced hereunder may not be repaid and then re-borrowed.

(b) The Lender's commitment in paragraph (a) above to make advances to the Borrower shall be a limited obligation of the Lender, to be funded solely from available moneys in the Fund and from no other source of funds, including other funds of the Lender.

(c) The Borrower's obligation to pay the Lender the principal of and interest on the Loan shall be evidenced by the records of the Lender and by the Note described below.

3. **Note** - The Loan shall be evidenced by the Promissory Note, dated this date, executed by the Borrower in favor of the Lender in an original stated principal amount equal to the maximum amount of the Loan as described above (the "**Note**," which term

shall include any extensions, renewals, modifications, or replacements thereof). The Note shall be in substantially the form attached to this Agreement as Exhibit B.

4. Interest, Fees, and Other Charges - In consideration of the Loan, the Borrower shall pay the Lender the following interest, fees, and other charges:

(a) The Loan shall bear interest at the rate or rates per annum specified in the Note and such interest shall be calculated in the manner specified in the Note.

(b) The Borrower agrees to pay all reasonable out-of-pocket costs and expenses of the Lender incurred in connection with its negotiation, structuring, documenting, and closing the Loan, including, without limitation, the reasonable fees and disbursements of counsel for the Lender. The Borrower agrees to pay all reasonable out-of-pocket costs and expenses of the Lender incurred in connection with its administration or modification of, or in connection with the preservation of its rights under, enforcement of, or any refinancing, renegotiation, restructuring, or termination of, any Credit Document (as hereinafter defined) or any instruments referred to therein or any amendment, waiver, or consent relating thereto, including, without limitation, the reasonable fees and disbursements of counsel for the Lender. Such additional loan payments shall be billed to the Borrower by the Lender from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Lender for one or more of the above items. Amounts so billed shall be paid by the Borrower within thirty (30) days after receipt of the bill by the Borrower.

(c) In the event the Borrower fails to request any advances under the Loan within six (6) months after the dated date of this Agreement, the Borrower shall pay the Lender a fee equal to the Lender's Loan Continuation Fee, as published from time to time in the Lender's fee schedules, if the Lender requests the Borrower to pay such fee in writing within twelve (12) months after the dated date of this Agreement, such fee to be payable within fifteen (15) days of such written request.

(d) The Borrower shall pay the Lender an origination fee for the loan in the amount of one percent (1%) of the maximum amount of the Loan, payable on the dates specified by the Lender on not less than thirty (30) days written advance notice.

5. Prepayment - The Loan shall be prepayable in accordance with the terms and conditions of the Note.

6. Authorized Borrower Representative and Successors - The Borrower shall designate a person to act on behalf of the Borrower under this Agreement (the "**Authorized Borrower Representative**") by written certificate furnished to the Lender, containing the specimen signature of such person and signed on behalf of the Borrower by its chief executive officer. Such certificate or any subsequent or supplemental certificate so executed may designate an alternate or alternates. In the event that any person so designated and his alternate or alternates, if any, should become unavailable or unable to take any action or make any certificate provided for or required in this Agreement, a successor shall be appointed in the same manner.

7. Conditions to the Loan - At the time of the making of each advance under the Loan by the Lender to the Borrower under this Agreement (each an "**Advance**"), the following conditions shall have been fulfilled to the Lender's satisfaction:

(a) This Agreement and the Note shall have been duly executed and delivered by all required parties thereto and in form and substance satisfactory to the Lender, and the Lender shall have received (1) a certified copy of the resolution adopted by the Borrower's governing body, substantially in the form of Exhibit F attached hereto, and (2) a signed opinion of counsel to the Borrower, substantially in the form of Exhibit E attached hereto.

(b) There shall then exist no Event of Default under this Agreement (or other event that, with the giving of notice or passage of time, or both, would constitute such an Event of Default).

(c) All representations and warranties by the Borrower in this Agreement and the Note (collectively the "**Credit Documents**") shall be true and correct in all material respects with the same effect as if such representations and warranties had been made on and as of the date of such advance.

(d) Since the date of the most recent annual financial statements of the Borrower delivered to the Lender, there shall have been no material adverse change in the financial condition, assets, management, control, operations, or prospects of the Borrower.

(e) The Advance to be made and the use of the proceeds thereof shall not violate any applicable law, regulation, injunction, or order of any government or court.

(f) The Borrower shall submit requests for Advances not more frequently than monthly and at least 21 days before the requested disbursement date.

(g) The Advance to be made and the use of the proceeds thereof shall be limited to payment of costs of the Project set forth in the Project budget included as part of Exhibit A and contemplated by the Plans and Specifications approved by the EPD.

(h) There shall be filed with the Lender:

(1) A requisition for such Advance, stating the amount to be disbursed.

(2) A certificate executed by the Authorized Borrower Representative attached to the requisition and certifying:

(A) that an obligation in the stated amount has been incurred by the Borrower and that the same is a cost of the Project and is presently due and payable or has been paid by the Borrower and is reimbursable hereunder and stating that the bill or statement of account for such obligation, or a copy thereof, is attached to the certificate;

(B) that the Borrower has no notice of any vendor's, mechanic's, or other liens or rights to liens, chattel mortgages, or conditional sales contracts that should be satisfied or discharged before such payment is made; and

(C) that each item on such requisition has not been paid or reimbursed, as the case may be, and such requisition contains no item representing payment on account of any retained percentages that the Borrower is, at the date of any such certificate, entitled to retain or payment for labor performed by employees of the Borrower.

(i) The completed construction on the Project shall be reviewed (at the time each requisition is submitted) by the Engineer, and the Engineer shall certify to the Lender as to (A) the cost of completed construction, (B) the percentage of completion, and (C) compliance with the Plans and Specifications.

8. Representations and Warranties - The Borrower hereby represents and warrants to the Lender:

(a) Creation and Authority. The Borrower is a public body corporate and politic duly created and validly existing under the laws of the State of Georgia and has all requisite power and authority to execute and deliver the Credit Documents and to perform its obligations thereunder.

(b) Pending Litigation. Except as disclosed in writing to the Lender, there are no actions, suits, proceedings, inquiries, or investigations pending or, to the knowledge of the Borrower, after making due inquiry with respect thereto, threatened against or affecting the Borrower in any court or by or before any governmental authority or arbitration board or tribunal, which involve the possibility of materially and adversely affecting the properties, activities, prospects, profits, operations, or condition (financial or otherwise) of the Borrower, or the ability of the Borrower to perform its obligations under the Credit Documents, or the transactions contemplated by the Credit Documents or which, in any way, would adversely affect the validity or enforceability of the Credit Documents or any agreement or instrument to which the Borrower is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby or thereby, nor is the Borrower aware of any facts or circumstances presently existing that would form the basis for any such actions, suits, or proceedings. Except as disclosed in writing to the Lender, the Borrower is not in default with respect to any judgment, order, writ, injunction, decree, demand, rule, or regulation of any court, governmental authority, or arbitration board or tribunal.

(c) Credit Documents are Legal and Authorized. The execution and delivery by the Borrower of the Credit Documents, the consummation of the transactions therein contemplated, and the fulfillment of or the compliance with all of the provisions thereof (i) are within the power, legal right, and authority of the Borrower; (ii) are legal and will not conflict with or constitute on the part of the Borrower a violation of or a breach of or a default under, any organic document, indenture, mortgage, security deed, pledge, note, lease, loan, or installment sale agreement, contract, or other agreement or instrument to which the Borrower is a party or by which the Borrower or its properties are otherwise subject or bound, or any license, law, statute, rule, regulation, judgment,

order, writ, injunction, decree, or demand of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities or properties; and (iii) have been duly authorized by all necessary and appropriate official action on the part of the governing body of the Borrower. The Credit Documents are the valid, legal, binding, and enforceable obligations of the Borrower. The officials of the Borrower executing the Credit Documents are duly and properly in office and are fully authorized and empowered to execute the same for and on behalf of the Borrower.

(d) Governmental Consents. Neither the Borrower nor any of its activities or properties, nor any relationship between the Borrower and any other person, nor any circumstances in connection with the execution, delivery, and performance by the Borrower of its obligations under the Credit Documents, is such as to require the consent, approval, permission, order, license, or authorization of, or the filing, registration, or qualification with, any governmental authority on the part of the Borrower in connection with the execution, delivery, and performance of the Credit Documents or the consummation of any transaction therein contemplated, except as shall have been obtained or made and as are in full force and effect and except as are not presently obtainable. To the knowledge of the Borrower, after making due inquiry with respect thereto, the Borrower will be able to obtain all such additional consents, approvals, permissions, orders, licenses, or authorizations of governmental authorities as may be required on or prior to the date the Borrower is legally required to obtain the same.

(e) No Defaults. No event has occurred and no condition exists that would constitute an Event of Default or that, with the lapse of time or with the giving of notice or both, would become an Event of Default. To the knowledge of the Borrower, after making due inquiry with respect thereto, the Borrower is not in default or violation in any material respect under any organic document or other agreement or instrument to which it is a party or by which it may be bound, except as disclosed in writing to the Lender.

(f) Compliance with Law. To the knowledge of the Borrower, after making due inquiry with respect thereto, the Borrower is not in violation of any laws, ordinances, or governmental rules or regulations to which it or its properties are subject and has not failed to obtain any licenses, permits, franchises, or other governmental authorizations (which are presently obtainable) necessary to the ownership of its properties or to the conduct of its affairs, which violation or failure to obtain might materially and adversely affect the properties, activities, prospects, profits, and condition (financial or otherwise) of the Borrower, and there have been no citations, notices, or orders of noncompliance issued to the Borrower under any such law, ordinance, rule, or regulation, except as disclosed in writing to the Lender.

(g) Restrictions on the Borrower. The Borrower is not a party to or bound by any contract, instrument, or agreement, or subject to any other restriction, that materially and adversely affects its activities, properties, assets, operations, or condition (financial or otherwise), except as disclosed in writing to the Lender. The Borrower is not a party to any contract or agreement that restricts the right or ability of the Borrower to incur indebtedness for borrowed money or to enter into loan agreements. Any contract or agreement of the Borrower that pledges the revenues of the Borrower permits such pledged revenues to be used to make payments due under the Credit Documents.

(h) Disclosure. The representations of the Borrower contained in this Agreement and any certificate, document, written statement, or other instrument furnished by or on behalf of the Borrower to the Lender in connection with the transactions contemplated hereby, do not contain any untrue statement of a material fact and do not omit to state a material fact necessary to make the statements contained herein or therein not misleading. There is no fact that the Borrower has not disclosed to the Lender in writing that materially and adversely affects or in the future may (so far as the Borrower can now reasonably foresee) materially and adversely affect the acquisition, construction, and installation of the Project or the properties, activities, prospects, operations, profits, or condition (financial or otherwise) of the Borrower, or the ability of the Borrower to perform its obligations under the Credit Documents or any of the documents or transactions contemplated hereby or thereby or any other transactions contemplated by this Agreement, which has not been set forth in writing to the Lender or in the certificates, documents, and instruments furnished to the Lender by or on behalf of the Borrower prior to the date of execution of this Agreement in connection with the transactions contemplated hereby.

(i) Project Compliance. The Project complies or will comply with all presently applicable building and zoning, health, environmental, and safety ordinances and laws and all other applicable laws, rules, and regulations of any and all governmental and quasi-governmental authorities having jurisdiction over any portion of the Project.

(j) Financial Statements. The financial statements of the Borrower that have been provided to the Lender in connection with the Loan present fairly the financial position of the Borrower as of the date thereof and the results of its operations and its cash flows for the period covered thereby, all in conformity with generally accepted accounting principles (subject to normal year-end adjustments in the case of interim statements). Additionally, the Borrower agrees that all future financial statements that are required to be submitted to the Authority will be prepared in conformity with generally accepted accounting principles, including infrastructure provisions of GASB 34. Since the date of the most recent annual financial statements for the Borrower delivered to the Lender in connection with the Loan, there has been no material adverse change in the Borrower's financial condition, assets, management, control, operations, or prospects.

(k) Reaffirmation. Each request by the Borrower for an advance under the Loan shall constitute a representation and warranty by the Borrower to the Lender that the foregoing statements are true and correct on the date of the request and after giving effect to such advance.

(l) Borrower's Tax Certificate. The representations and warranties of the Borrower set forth in the Borrower's Tax Certificate, dated the date hereof, are hereby incorporated herein and made a part hereof by this reference thereto, as if fully set forth herein, and are true and correct as of the date hereof.

9. Security for Payments under Credit Documents - (a) As security for the payments required to be made and the obligations required to be performed by the Borrower under the Credit Documents, the Borrower hereby pledges to the Lender its full faith and credit and revenue-raising power (including its taxing power) for such

payment and performance. The Borrower covenants that, in order to make any payments required by the Credit Documents when due from its funds to the extent required hereunder, it will exercise its power of taxation and its power to set rates, fees, and charges to the extent necessary to pay the amounts required to be paid under the Credit Documents and will make available and use for such payments all rates, fees, charges, and taxes levied and collected for that purpose together with funds received from any other sources. The Borrower further covenants and agrees that in order to make funds available for such purpose in each fiscal year, it will, in its revenue, appropriation, and budgetary measures through which its tax funds or revenues and the allocation thereof are controlled or provided for, include sums sufficient to satisfy any such payments that may be required to be made under the Credit Documents, whether or not any other sums are included in such measure, until all payments so required to be made under the Credit Documents shall have been made in full. The obligation of the Borrower to make any such payments that may be required to be made from its funds shall constitute a general obligation of the Borrower and a pledge of the full faith and credit of the Borrower to provide the funds required to fulfill any such obligation. In the event for any reason any such provision or appropriation is not made as provided in this Section 9, then the fiscal officers of the Borrower are hereby authorized and directed to set up as an appropriation on their accounts in the appropriate fiscal year the amounts required to pay the obligations that may be due from the funds of the Borrower. The amount of such appropriation shall be due and payable and shall be expended for the purpose of paying any such obligations, and such appropriation shall have the same legal status as if the Borrower had included the amount of the appropriation in its revenue, appropriation, and budgetary measures, and the fiscal officers of the Borrower shall make such payments required by the Credit Documents to the Lender if for any reason the payment of such obligations shall not otherwise have been made.

(b) The Borrower covenants and agrees that it shall, to the extent necessary, levy an annual ad valorem tax on all taxable property located within the territorial or corporate limits of the Borrower, as now existent and as the same may hereafter be extended, at such rate or rates, within any limitations that may be prescribed by law, as may be necessary to produce in each year revenues that will be sufficient to fulfill the Borrower's obligations under the Credit Documents, from which revenues the Borrower agrees to appropriate sums sufficient to pay in full when due all of the Borrower's obligations under the Credit Documents. Nothing herein contained, however, shall be construed as limiting the right of the Borrower to make the payments called for by the Credit Documents out of any funds lawfully available to it for such purpose, from whatever source derived (including general funds or enterprise funds).

10. Borrower Covenants - The Borrower agrees to comply with the following covenants so long as this Agreement is in effect:

(a) Information. The Borrower shall deliver to the Lender, within 180 days after the end of each fiscal year, an electronic copy of the financial statements required under state audit requirements (O.C.G.A. Section 36-81-7). Borrower's annual financial statements shall be prepared in accordance with generally accepted accounting

principles and otherwise in form and substance satisfactory to the Lender, which financial statements shall be accompanied by a certificate of the Borrower (1) to the effect that the Borrower is not in default under any provisions of the Credit Documents and has fully complied with all of the provisions thereof, or if the Borrower is in default or has failed to so comply, setting forth the nature of the default or failure to comply, and (2) stating the Fixed Charges Coverage Ratio, the Fixed Charges, and the Income Available for Fixed Charges of the Borrower for the fiscal year. The Borrower also shall promptly provide the Lender (A) upon receipt thereof, a copy of each other report submitted to the Borrower by its accountants in connection with any annual, interim, or special audit made by them of the books of the Borrower (including, without limitation, any management report prepared in connection with such accountants' annual audit of the Borrower) and (B) with such other information relating to the Borrower and the Project as the Lender may reasonably request from time to time.

(b) Access to Property and Records. The Borrower agrees that the Lender, the EPD, and their duly authorized representatives and agents shall have the right, upon reasonable prior notice, to enter the Borrower's property at all reasonable times for the purpose of examining and inspecting the Project, including any construction or renovation thereof. The Borrower shall keep accurate and complete records and books of account with respect to its activities in which proper entries are made in accordance with generally accepted accounting principles reflecting all of its financial transactions. The Lender and the EPD shall also have the right at all reasonable times to examine and make extracts from the books and records of the Borrower, insofar as such books and records relate to the Project or insofar as necessary to ascertain compliance with this Agreement, and to discuss with the Borrower's officers, employees, accountants, and engineers the Project and the Borrower's activities, assets, liabilities, financial condition, results of operations, and financial prospects.

(c) Agreement to Acquire, Construct, and Install the Project. The Borrower covenants to cause the Project to be acquired, constructed, and installed without material deviation from the Plans and Specifications and warrants that the acquisition, construction, and installation of the Project without material deviation from the Plans and Specifications will result in facilities suitable for use by the Borrower and that all real and personal property provided for therein is necessary or appropriate in connection with the Project. The Borrower may make changes in or additions to the Plans and Specifications; provided, however, changes in or additions to the Plans and Specifications that are material shall be subject to the prior written approval of the Engineer and the EPD. The Borrower agrees to complete the acquisition, construction, and installation of the Project as promptly as practicable and with all reasonable dispatch after the date of this Agreement. Without limiting the foregoing sentence, the Borrower shall commence and complete each activity or event by the deadline stated in the Project Schedule included as part of Exhibit A attached hereto. The Borrower shall comply with the bidding and preconstruction requirements set forth in Exhibit C attached hereto.

(d) Establishment of Completion Date. The date of completion of the acquisition, construction, and installation of the Project (the "**Completion Date**") shall be evidenced to the Lender and the EPD by a certificate of completion signed by the Authorized Borrower Representative and approved by the Engineer, stating that

construction of the Project has been completed without material deviation from the Plans and Specifications and all labor, services, materials, and supplies used in such construction have been paid or provided for. Notwithstanding the foregoing, such certificate may state that it is given without prejudice to any rights against third parties that exist at the date of such certificate or that may subsequently come into being. It shall be the duty of the Borrower to cause the certificate contemplated by this paragraph to be furnished as soon as the construction of the Project shall have been completed.

(e) Indemnity. (1) To the extent provided by law, in addition to the other amounts payable by the Borrower under this Agreement (including, without limitation, Section 4 hereof), the Borrower hereby agrees to pay and indemnify the Lender from and against all claims, liabilities, losses, costs, and expenses (including, without limitation, reasonable attorneys' fees and expenses) that the Lender may (other than as a result of the gross negligence or willful misconduct of the Lender) incur or be subjected to as a consequence, directly or indirectly, of (i) any actual or proposed use of any proceeds of the Loan or the Borrower's entering into or performing under any Credit Document; (ii) any breach by the Borrower of any representation, warranty, covenant, or condition in, or the occurrence of any other default under, any of the Credit Documents, including without limitation all reasonable attorneys' fees or expenses resulting from the settlement or defense of any claims or liabilities arising as a result of any such breach or default; (iii) allegations of participation or interference by the Lender in the management, contractual relations, or other affairs of the Borrower; (iv) allegations that the Lender has joint liability with the Borrower to any third party as a result of the transactions contemplated by the Credit Documents; (v) any suit, investigation, or proceeding as to which the Lender is involved as a consequence, directly or indirectly, of its execution of any of the Credit Documents, the making of the Loan, or any other event or transaction contemplated by any of the Credit Documents; or (vi) the conduct or management of or any work or thing done on the Project and any condition of or operation of the Project.

(2) Nothing contained in this paragraph (e) shall require the Borrower to indemnify the Lender for any claim or liability that the Borrower was not given any opportunity to contest or for any settlement of any such action effected without the Borrower's consent. The indemnity of the Lender contained in this paragraph (e) shall survive the termination of this Agreement.

(f) Fixed Charges Coverage Ratio. The Borrower shall not permit the Fixed Charges Coverage Ratio for any fiscal year to be less than 1.05. The following terms are defined terms for purposes of this Agreement:

"Fixed Charges" means, for any period, the sum of all cash outflows that the Borrower cannot avoid without violating the Borrower's long-term contractual obligations (those obligations that extend for a period greater than one year, determined in accordance with generally accepted accounting principles), including, but not limited to, (i) interest on long-term debt, determined in accordance with generally accepted accounting principles, (ii) payments under long-term leases (whether capitalized or operating), and (iii) scheduled payments of principal on long-term debt.

"Fixed Charges Coverage Ratio" means, for any period, the ratio of Income Available for Fixed Charges to Fixed Charges.

“Income Available for Fixed Charges” means, for any period, net income of the Borrower, plus amounts deducted in arriving at such net income for (i) interest on long-term debt (including the current portion thereof), (ii) depreciation, (iii) amortization, and (iv) payments under long-term leases.

(g) **Tax Covenants.** The Borrower covenants that it will not take or omit to take any action nor permit any action to be taken or omitted that would cause the interest on the Note to become includable in the gross income of any owner thereof for federal income tax purposes. The Borrower further covenants and agrees that it shall comply with the representations and certifications it made in its Borrower’s Tax Certificate dated the date hereof and that it shall take no action nor omit to take any action that would cause such representations and certifications to be untrue.

11. Events of Default and Remedies – (a) Each of the following events shall constitute an Event of Default under this Agreement:

(1) Failure by the Borrower to make any payment with respect to the Loan (whether principal, interest, fees, or other amounts) when and as the same becomes due and payable (whether at maturity, on demand, or otherwise); or

(2) The Borrower shall (A) apply for or consent to the appointment of or the taking of possession by a receiver, custodian, trustee, or liquidator of the Borrower or of all or a substantial part of the property of the Borrower; (B) admit in writing the inability of the Borrower, or be generally unable, to pay the debts of the Borrower as such debts become due; (C) make a general assignment for the benefit of the creditors of the Borrower; (D) commence a voluntary case under the federal bankruptcy law (as now or hereafter in effect); (E) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts; (F) fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against the Borrower in an involuntary case under such federal bankruptcy law; or (G) take any action for the purpose of effecting any of the foregoing; or

(3) A proceeding or case shall be commenced, without the application of the Borrower, in any court of competent jurisdiction, seeking (A) the liquidation, reorganization, dissolution, winding-up, or composition or readjustment of debts of the Borrower; (B) the appointment of a trustee, receiver, custodian, liquidator, or the like of the Borrower or of all or any substantial part of the assets of the Borrower; or (C) similar relief in respect of the Borrower under any law relating to bankruptcy, insolvency, reorganization, winding-up, or composition and adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment, or decree approving or ordering any of the foregoing shall be entered and continue in effect, for a period of sixty (60) days from commencement of such proceeding or case or the date of such order, judgment, or decree, or any order for relief against the Borrower shall be entered in an involuntary case or proceeding under the federal bankruptcy law; or

(4) Any representation or warranty made by the Borrower in any Credit Document shall be false or misleading in any material respect on the date as of which made (or deemed made); or

(5) Any default by the Borrower shall occur in the performance or observance of any term, condition, or provision contained in any Credit Document and not referred to in clauses (1) through (4) above, which default shall continue for thirty (30) days after the Lender gives the Borrower written notice thereof; or

(6) Any material provision of any Credit Document shall at any time for any reason cease to be valid and binding in accordance with its terms on the Borrower, or the validity or enforceability thereof shall be contested by the Borrower, or the Borrower shall terminate or repudiate (or attempt to terminate or repudiate) any Credit Document; or

(7) Default in the payment of principal of or interest on any other obligation of the Borrower for money borrowed (or any obligation under any conditional sale or other title retention agreement or any obligation secured by purchase money mortgage or deed to secure debt or any obligation under notes payable or drafts accepted representing extensions of credit or on any capitalized lease obligation), or default in the performance of any other agreement, term, or condition contained in any contract under which any such obligation is created, guaranteed, or secured if the effect of such default is to cause such obligation to become due prior to its stated maturity; provided that in each and every case noted above the aggregate then outstanding principal balance of the obligation involved (or all such obligations combined) must equal or exceed \$100,000; or

(8) Default in the payment of principal of or interest on any obligation of the Borrower for money borrowed from the Lender (other than the Loan) or default in the performance of any other agreement, term, or condition contained in any contract under which any such obligation is created, guaranteed, or secured if the effect of such default is to entitle the Lender to then cause such obligation to become due prior to its stated maturity (the parties intend that a default may constitute an Event of Default under this paragraph (8) even if such default would not constitute an Event of Default under paragraph (7) immediately above); or

(9) The dissolution of the Borrower; or

(10) Any material adverse change in the Borrower's financial condition or means or ability to perform under the Credit Documents; or

(11) The occurrence of any other event as a result of which the Lender in good faith believes that the prospect of payment in full of the Loan is impaired.

(b) Upon the occurrence of an Event of Default, the Lender, at its option, without demand or notice of any kind, may declare the Loan immediately due and payable, whereupon all outstanding principal and accrued interest shall become immediately due and payable.

(c) Upon the occurrence of an Event of Default, the Lender, without notice or demand of any kind, may from time to time take whatever action at law or in equity or under the terms of the Credit Documents may appear necessary or desirable to collect the Loan and other amounts payable by the Borrower hereunder then due or thereafter

to become due, or to enforce performance and observance of any obligation, agreement, or covenant of the Borrower under the Credit Documents.

(d) In the event of a failure of the Borrower to pay any amounts due to the Lender under the Credit Documents within 15 days of the due date thereof, the Lender shall perform its duty under Section 50-23-20 of the Official Code of Georgia Annotated to notify the state treasurer of such failure, and the Lender may apply any funds allotted to the Borrower that are withheld pursuant to Section 50-23-20 of the Official Code of Georgia Annotated to the payment of the overdue amounts under the Credit Documents.

(e) Upon the occurrence of an Event of Default, the Lender may, in its discretion, by written notice to the Borrower, terminate its remaining commitment (if any) hereunder to make any further advances of the Loan, whereupon any such commitment shall terminate immediately.

12. Assignment or Sale by Lender - (a) The Credit Documents, and the obligation of the Borrower to make payments thereunder, may be sold, assigned, or otherwise disposed of in whole or in part to one or more successors, grantors, holders, assignees, or subassignees by the Lender. Upon any sale, disposition, assignment, or reassignment, the Borrower shall be provided with a notice of such assignment. The Borrower shall keep a complete and accurate register of all such assignments in form necessary to comply with Section 149(a) of the Internal Revenue Code of 1986, as amended.

(b) The Borrower agrees to make all payments to the assignee designated in the assignment, notwithstanding any claim, defense, setoff, or counterclaim whatsoever that the Borrower may from time to time have against the Lender. The Borrower agrees to execute all documents, including notices of assignment, which may be reasonably requested by the Lender or its assignee to protect its interests in the Credit Documents.

(c) The Borrower hereby agrees that the Lender may sell or offer to sell the Credit Documents (i) through a certificate of participation program, whereby two or more interests are created in the Credit Documents or the payments thereunder or (ii) with other similar instruments, agreements, and obligations through a pool, trust, limited partnership, or other entity.

13. Miscellaneous - (a) This Agreement shall be governed by and construed in accordance with the internal laws of the State of Georgia.

(b) This Agreement shall be binding upon and shall inure to the benefit of the Borrower, the Lender, and their respective heirs, legal representatives, successors, and assigns, but the Borrower may not assign or transfer any of its rights or obligations hereunder without the express prior written consent of the Lender.

(c) This Agreement may not be waived or amended except by a writing signed by authorized officials of the Lender and the Borrower.

(d) This Agreement shall be effective on the date on which the Borrower and the Lender have signed one or more counterparts of it and the Lender shall have received the same, provided the Lender receives the same executed by the Borrower by **FEBRUARY 23, 2023**. At such time as the Lender is no longer obligated under this Agreement to make any further advances under the Loan and all principal, interest, or other amounts owing with respect to the Loan and hereunder have been finally and irrevocably repaid by the Borrower to the Lender, this Agreement shall terminate.

(e) All notices, certificates, requests, demands, or other communications hereunder shall be sufficiently given and shall be deemed given upon receipt, by hand delivery, mail, overnight delivery, telecopy, or other electronic means, addressed as provided at the beginning of this Agreement. Any party to this Agreement may, by notice given to the other party, designate any additional or different addresses to which subsequent notices, certificates, or other communications shall be sent. For purposes of this Section, "electronic means" shall mean telecopy or facsimile transmission or other similar electronic means of communication that produces evidence of transmission.

(f) This Agreement may be executed in one or more counterparts.

(g) All pronouns used herein include all genders and all singular terms used herein include the plural (and vice versa).

(h) In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

(i) Statements in Exhibit D attached hereto shall govern the matters they address.

(j) This Agreement and the Note constitute the entire agreement between the Borrower and the Lender with respect to the Loan and supersede all prior agreements, negotiations, representations, or understandings between such parties with respect to such matters.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officials hereunto duly authorized as of the date first above written.

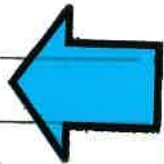
**COWETA COUNTY WATER AND SEWERAGE
AUTHORITY**

Approved as to form:

By: _____
Borrower's Attorney



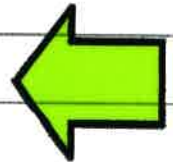
Signature: _____
Print Name: _____
Title: _____



(SEAL)



Attest Signature: _____
Print Name: _____
Title: _____



**DRINKING WATER STATE REVOLVING FUND,
ADMINISTERED BY GEORGIA
ENVIRONMENTAL FINANCE AUTHORITY**

Signature: _____
Hunter Hill
Executive Director

(SEAL)

DESCRIPTION OF THE PROJECT

SCOPE OF WORK

Recipient: COWETA COUNTY WATER AND SEWERAGE AUTHORITY

Loan Number: DW2022030

This project includes planning, design, permitting, and land acquisition for a new water withdrawal pump station.

DESCRIPTION OF THE PROJECT

PROJECT BUDGET

Recipient: COWETA COUNTY WATER AND SEWERAGE AUTHORITY

Loan Number: DW2022030

ITEM	TOTAL	DWSRF
Construction	-	-
Contingency	-	-
Engineering & Inspection	6,000,000	6,000,000
Administrative/Legal	-	-
Property Acquisition	1,000,000	1,000,000
TOTAL	\$7,000,000	\$7,000,000

*The amounts shown above in each budget item are estimates. Borrower may adjust the amounts within the various budget items without prior Lender approval provided Borrower does not exceed the loan amount contained in Section 1 of the Loan Agreement. In no event shall Lender be liable for any amount exceeding the loan amount contained in Section 1 of the Loan Agreement.

DESCRIPTION OF THE PROJECT

PROJECT SCHEDULE

Recipient: COWETA COUNTY WATER AND SEWERAGE AUTHORITY

Loan Number: DW2022030

ACTION	DATE
Plans & Specs Submitted to EPD	OCTOBER 2023
Bid Opening	TBD
Notice to Proceed	TBD
Completion of Construction	TBD

EXHIBIT B
PAGE 1 OF 3
DW2022030

COWETA COUNTY WATER AND SEWERAGE AUTHORITY
SPECIMEN PROMISSORY NOTE

\$7,000,000

FOR VALUE RECEIVED, the undersigned (hereinafter referred to as the **"Borrower"**) promises to pay to the order of **DRINKING WATER STATE REVOLVING FUND, ADMINISTERED BY GEORGIA ENVIRONMENTAL FINANCE AUTHORITY** (hereinafter referred to as the **"Lender"**) at the Lender's office located in Atlanta, Georgia, or at such other place as the holder hereof may designate, the principal sum of **SEVEN MILLION DOLLARS AND ZERO CENTS (\$7,000,000)**, or so much thereof as shall have been advanced hereagainst and shall be outstanding, together with interest on so much of the principal balance of this Note as may be outstanding and unpaid from time to time, calculated at the rate or rates per annum indicated below.

The unpaid principal balance of this Note shall bear interest at a rate per annum equal to **ZERO AND 86/100 PERCENT (0.86%)**, (1) calculated on the basis of actual number of days in the year and actual days elapsed until the Amortization Commencement Date (as hereinafter defined), and (2) calculated on the basis of a 360-day year consisting of twelve 30-day months thereafter.

Accrued interest on this Note shall be payable monthly on the first day of each calendar month until the first day of the calendar month following the earlier of (1) the Completion Date (as defined in the hereinafter defined Loan Agreement), (2) **FEBRUARY 1, 2024**, or (3) the date that the loan evidenced by this Note is fully disbursed (the **"Amortization Commencement Date"**). Principal of and interest on this Note shall be payable in **THREE HUNDRED FIFTY-NINE (359)** consecutive monthly installments equal to the Installment Amount (as hereinafter defined), commencing on the first day of the calendar month following the Amortization Commencement Date, and continuing to be due on the first day of each succeeding calendar month thereafter, together with a final installment equal to the entire remaining unpaid principal balance of and all accrued interest on this Note, which shall be due and payable on the date that is **30** years from the Amortization Commencement Date (the **"Maturity Date"**).

This Note shall bear interest on any overdue installment of principal and, to the extent permitted by applicable law, on any overdue installment of interest, at the aforesaid rates. The Borrower shall pay a late fee equal to the Lender's late fee, as published from time to time in the Loan Servicing Fee schedules, for any installment payment or other amount due hereunder that is not paid by the 15th of the month in which the payment is due.

"Installment Amount" means the amount equal to the monthly installment of principal and interest required to fully amortize the then outstanding principal balance of

this Note as of the Amortization Commencement Date at the rate of interest on this Note, on the basis of level monthly debt service payments from the Amortization Commencement Date to and including the Maturity Date.

All payments or prepayments on this Note shall be applied first to unpaid fees and late fees, then to interest accrued on this Note through the date of such payment or prepayment, and then to principal (and partial principal prepayments shall be applied to such installments in the inverse order of their maturity).

At the option of the Lender, the Borrower shall make payments due under this Note using pre-authorized electronic debit transactions, under which the Lender will be authorized to initiate and effect debit transactions from a designated account of the Borrower without further or additional approval or confirmation by the Borrower. The Borrower further agrees to adopt any necessary approving resolutions and to complete and execute any necessary documents in order for the Lender to effect such pre-authorized debit transactions. In the event the Borrower has insufficient funds in its designated account on the date the Lender attempts to debit any payment due hereunder, the Borrower shall pay the Lender a processing fee equal to the Lender's processing fee, as published from time to time in the Lender's fee schedules for each such occurrence (but not exceeding two such processing fees in any calendar month), in addition to any late fee as provided above.

The Borrower may prepay the principal balance of this Note in whole or in part at any time without premium or penalty.

This Note constitutes the Promissory Note issued under and pursuant to and is entitled to the benefits and subject to the conditions of a Loan Agreement (the "**Loan Agreement**"), dated the date hereof, between the Borrower and the Lender, to which Loan Agreement reference is hereby made for a description of the circumstances under which principal shall be advanced under this Note. Reference is hereby made to the Loan Agreement for a description of the security for this Note and the options and obligations of the Borrower and the Lender hereunder. Upon an Event of Default (as defined in the Loan Agreement), the entire principal of and interest on this Note may be declared or may become immediately due and payable as provided in the Loan Agreement.

The obligation of the Borrower to make the payments required to be made under this Note and to perform and observe any and all of the other covenants and agreements on its part contained herein shall be a general obligation of the Borrower, as provided in the Loan Agreement, and shall be absolute and unconditional irrespective of any defense or any rights of setoff, counterclaim, or recoupment, except for payment, it may otherwise have against the Lender.

In case this Note is collected by or through an attorney-at-law, all costs of such collection incurred by the Lender, including reasonable attorney's fees, shall be paid by the Borrower.

Time is of the essence of this Note. Demand, presentment, notice, notice of demand, notice for payment, protest, and notice of dishonor are hereby waived by each and every maker, guarantor, surety, and other person or entity primarily or secondarily liable on this Note. The Lender shall not be deemed to waive any of its rights under this Note unless such waiver be in writing and signed by the Lender. No delay or omission by the Lender in exercising any of its rights under this Note shall operate as a waiver of such rights, and a waiver in writing on one occasion shall not be construed as a consent to or a waiver of any right or remedy on any future occasion.

This Note shall be governed by and construed and enforced in accordance with the laws of the State of Georgia (without giving effect to its conflicts of law rules). Whenever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Note shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note.

Words importing the singular number hereunder shall include the plural number and vice versa, and any pronoun used herein shall be deemed to cover all genders. The word "Lender" as used herein shall include transferees, successors, and assigns of the Lender, and all rights of the Lender hereunder shall inure to the benefit of its transferees, successors, and assigns. All obligations of the Borrower hereunder shall bind the Borrower's successors and assigns.

SIGNED, SEALED, AND DELIVERED by the undersigned Borrower as of the ____ day of _____, ____.

**COWETA COUNTY WATER AND
SEWERAGE AUTHORITY**

(SEAL)

By: SPECIMEN
Name: _____
Title: _____

Approved as to form:

Attest:

By: SPECIMEN
Authority Attorney

SPECIMEN
Name: _____
Title: _____

BIDDING AND PRECONSTRUCTION REQUIREMENTS

Recipient: COWETA COUNTY WATER AND SEWERAGE AUTHORITY

Loan Number: DW2022030

1. Competitive procurement by public bidding is required for construction, construction services, materials, and equipment.
2. The Borrower must advertise for bids by conspicuously posting the notice in its office and by advertising in the local newspaper that is the legal organ or on its Internet website or on an Internet site designated for its legal advertisements. The bid or proposal opportunity must be advertised in the Georgia Procurement Registry, provided that such posting is at no cost to the governmental entity.
3. Advertisements must appear at least twice. The first advertisement must appear at least four weeks prior to the bid opening date. The second advertisement must follow at least two weeks after the first advertisement. Website advertisements must remain posted for at least four weeks. Plans and specifications must be available for inspection by the public on the first day of the advertisement. The advertisement must include details to inform the public of the extent and character of work to be performed, any pre-qualification requirements, any pre-bid conferences, and any federal requirements.
4. The Borrower must require at least a 5 percent bid bond or certified check or cash deposit equal to 5 percent of the contract amount.
5. Sealed bids, with a public bid opening, are required.
6. The Borrower must award the contract to the low, responsive, and responsible bidder or bidders, with reservation of right to reject all bids.
7. The Borrower may modify bidding documents only by written addenda with notification to all potential bidders not less than 72 hours prior to the bid opening, excluding Saturdays, Sundays, and legal holidays.
8. The Borrower must require 100 percent payment and performance bonds.
9. Change orders may not be issued to evade the purposes of required bidding procedures. Change orders may be issued for changes or additions consistent with the scope of the original construction contract documents.

10. Prior to disbursement of funds, the Borrower shall provide the Lender with copies of the following:
 - a. Proof of advertising;
 - b. Certified detailed bid tabulation;
 - c. Engineer's award recommendation;
 - d. Governing body's award resolution;
 - e. Executed contract documents, including plans and specifications;
 - f. Construction and payment schedules;
 - g. Notice to proceed;
 - h. Contractor's written oath in accordance with O.C.G.A. Section 36-91-21 (e).
(This is an oath required by law to be provided to the Borrower by the contractor. In short, this oath must state that the contractor has not acted alone or otherwise to prevent or attempt to prevent competition in bidding by any means and must be signed by appropriate parties as defined by law.);
and
 - i. Summary of plans for on-site quality control to be provided by the Borrower or the Engineer - name and brief qualifications of construction inspector(s) and approximate hours per week of inspection to be provided.
11. If other funding sources are involved that have stricter bidding requirements or if applicable laws or ordinances require stricter requirements, these stricter requirements shall govern.
12. If the Borrower wishes to fund work that may not fully meet the bidding requirements of this Agreement, then, prior to bidding this work, it shall submit a written request to the Lender that specific requirements be waived. Based on specific circumstances of the request, the Lender may require submission of additional information necessary to document that State laws and local ordinances are not violated and that the intent of the bid procedures set forth in this Exhibit C (public, open, and competitive procurement) is satisfied through alternate means.
13. The Borrower is required to notify the Lender at least two weeks prior to pre-construction conferences for work funded under this Agreement and to schedule these conferences so that a representative of this unit may participate.

STATE REQUIREMENTS

Recipient: COWETA COUNTY WATER AND SEWERAGE AUTHORITY

Loan Number: DW2022030

None.

FEDERAL REQUIREMENTS

Recipient: COWETA COUNTY WATER AND SEWERAGE AUTHORITY

Loan Number: DW2022030

1. The Borrower covenants that the Project will comply with the federal requirements applicable to activities supported with federal funds. The Borrower further covenants that the Project will be constructed in compliance with State of Georgia objectives for participation by women's and minority business enterprises in projects financed with federal funds under the federal Safe Drinking Water Act. The Borrower will comply with all federal and State of Georgia laws, rules, and regulations relating to maintenance of a drug-free workplace at the Project.
2. The Borrower covenants to comply with the requirements of the Federal Single Audit Act, to the extent it applies to the expenditure of federal funds, including the Loan or any portion thereof. The Borrower agrees to submit to the Lender copies of any audit prepared and filed pursuant to the requirements of this Section.
3. It is the policy of the Lender to promote a fair share award of sub-agreements to small and minority and women's businesses on contracts performed under the Lender. If the successful bidder plans to subcontract a portion of the Project, the bidder must submit to the Lender, with copy to the Borrower within 10 days after bid opening, evidence of the positive steps taken to utilize small, minority, and women's businesses. Such positive efforts shall include:
 - a) including qualified small and minority and women's businesses on solicitation lists;
 - b) assuring that small and minority and women's businesses are solicited whenever they are potential sources;
 - c) dividing total requirements, when economically feasible, into small tasks or quantities to permit maximum participation of small and minority and women's businesses;
 - d) establishing delivery schedules, where the requirements of the work permit, to encourage participation by small and minority and women's businesses;
 - e) using the services and assistance of the U.S. Small Business Administration and the Office of Minority Business Enterprise of the U.S. Department of Commerce;
 - f) requiring each party to a subagreement to take the affirmative steps outlined in paragraphs (a) through (e) of this section.

4. The Borrower shall fully comply with Subpart C of 2 CFR Part 180 and 2 CFR Part 1532, entitled "Responsibilities of Participants Regarding Transactions (Doing Business with Other Persons)." The Borrower is responsible for ensuring that any lower tier covered transaction as described in Subpart B of 2 CFR Part 180 and 2 CFR Part 1532, entitled "Covered Transactions," includes a term or condition requiring compliance with Subpart C. The Borrower is responsible for further requiring the inclusion of a similar term or condition in any subsequent lower tier transactions. The Borrower acknowledges that failure to disclose the information as required at 2 CFR 180.335 may result in the delay or negation of this assistance agreement, or pursuance of legal remedies, including suspension and debarment.

The Borrower may access the Excluded Parties List System at www.epls.gov. This term and condition supersedes EPA Form 5700-49. "Certification Regarding Debarment, Suspension, and Other Responsibility Matters."

5. The Borrower shall insert in full in any contract in excess of \$2,000 which is entered into for actual construction, alteration and/or repair, including painting and decorating, financed in whole or in part from Federal funds and which is subject to the requirements of the Davis-Bacon Act, the document entitled "Supplemental General Conditions for Federally Assisted State Revolving Loan Fund Construction Contracts."
6. Borrower certifies to the best of its knowledge and belief that: No Federal appropriated funds have been paid in full or will be paid, by or on behalf of the Borrower, to any person influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with any of the following covered Federal actions: The awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency or a Member of Congress in connection with this loan agreement, then the Borrower shall fully disclose same to the Lender, and shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with instructions.

7. The Borrower will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The Borrower will comply with all sections of Executive Order 11246 – Equal Employment Opportunity.

8. The Borrower will not discriminate against any employee or applicant for employment because of a disability. The Borrower will comply with section 504 of the Rehabilitation Act of 1973.
9. Reserved
10. The Borrower will comply with all federal requirements outlined in the 2014 Appropriations Act and related Drinking Water State Revolving Fund Policy Guidelines, which the Borrower understands includes, among other requirements, that all of the iron and steel products used in the Project (as described in Exhibit A) are to be produced in the United States ("American Iron and Steel Requirement") unless (i) the Borrower has requested from the Lender and obtained a waiver from the Environmental Protection Agency pertaining to the Project or (ii) the Lender has otherwise advised the Borrower in writing that the American Iron and Steel Requirement is not applicable to the Project.
11. Reserved.
12. The Borrower will comply with all record keeping and reporting requirements under the Safe Drinking Water Act, including any reports required by the Environmental Protection Agency or the Lender such as performance indicators of program deliverables, information on costs and project progress. The Borrower understands that (i) each contract and subcontract related to the Project is subject to audit by appropriate federal and state entities and (ii) failure to comply with the Safe Drinking Water Act and this Agreement may be a default hereunder that results in a repayment of the Loan in advance and/or other remedial actions.
13. The Borrower shall insert in full in any contract which is entered into for construction, alteration, maintenance, or repair of a public water system or treatment works, financed in whole or in part from Federal funds, the document entitled "American Iron and Steel Special Conditions and Information for Federally Assisted State Revolving Loan Fund Construction Contracts."
14. The Borrower will comply with the requirements and obligations of Title VI of the Civil Rights Act in accordance with 40 CFR Part 5 and 7. Among the requirements, borrowers must have a nondiscrimination notice, operate programs or activities that are accessible to individuals with disabilities, designate a civil rights coordinator, have a language access services policy, and maintain demographic data on the race, color, national origin, sex, age, or handicap of the population it serves.
15. As required by 40 CFR Part 33.501(b), the Environmental Protection Agency (EPA) Disadvantaged Business Enterprise Rule requires State Revolving Loan recipients to create and maintain a bidders list. The purpose of a bidders list is to provide the Borrower who conducts competitive bidding with a more accurate database of the universe of Minority Business Enterprises (MBE) and Women Business Enterprises (WBE) and non-MBE/WBE prime and subcontractors. The list must include all firms

that bid on EPA-assisted projects, including both MBE/WBEs and non-MBE/WBEs. The bidders list must be kept active until the project period for the loan has ended.

The bidders list must contain the following information from all prime contractors and subcontractors:

- 1) Bidder's name with point of contract;
- 2) Bidder's mailing address, telephone number, and email address;
- 3) The procurement item on which the bidder bid or quoted, and when; and
- 4) Bidder's status as an MBE/WBE or non-MBE/WBE.

Borrowers receiving a combined total of \$250,000 or less in federal funding in any one fiscal year, are exempt from the requirements to maintain a bidders list.

FINANCIAL COVENANTS

Recipient: COWETA COUNTY WATER AND SEWERAGE AUTHORITY

Loan Number: DW2022030

None.

OPINION OF BORROWER'S COUNSEL
(Please furnish this form on Attorney's Letterhead)

DATE

Drinking Water State Revolving Fund, Administered by
Georgia Environmental Finance Authority
233 Peachtree St NE
Harris Tower, Ste 900
Atlanta, GA 30303-1506

Ladies and Gentlemen:

As counsel for **COWETA COUNTY WATER AND SEWERAGE AUTHORITY** (the "Borrower"), I have examined duly executed originals of the Loan Agreement (the "Loan Agreement"), Loan/Project No. **DW2022030**, between the Borrower and **DRINKING WATER STATE REVOLVING FUND, ADMINISTERED BY GEORGIA ENVIRONMENTAL FINANCE AUTHORITY** (the "Lender"), the related Promissory Note (the "Note") of the Borrower, the proceedings taken by the Borrower to authorize the Loan Agreement and the Note (collectively, the "Credit Documents"), and such other documents, records, and proceedings as I have deemed relevant or material to render this opinion, and based upon such examination, I am of the opinion, as of the date hereof, that:

1. The Borrower is a public body corporate and politic, duly created and validly existing under the laws of the State of Georgia.
2. The Credit Documents have been duly authorized, executed, and delivered by the Borrower and are legal, valid, and binding obligations of the Borrower, enforceable in accordance with their terms.
3. To the best of my knowledge, no litigation is pending or threatened in any court or other tribunal, state or federal, in any way questioning or affecting the validity of the Credit Documents.
4. To the best of my knowledge, the execution, delivery, and performance by the Borrower of the Credit Documents will not conflict with, breach, or violate any law, any order or judgment to which the Borrower is subject, or any contract to which the Borrower is a party.
5. The signatures of the officers of the Borrower that appear on the Credit Documents are true and genuine. I know such officers and know them to be the duly elected or appointed qualified incumbents of the offices of the Borrower set forth below their names.

With your permission, in rendering the opinions set forth herein, I have assumed the following, without any investigation or inquiry on my part:

- (i) the due authorization, execution, and delivery of the Credit Documents by the Lender; and
- (ii) that the Credit Documents constitute the binding obligations of the Lender and that the Lender has all requisite power and authority to perform its obligations thereunder.

The enforceability of the Credit Documents (i) may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, and other similar laws affecting the enforcement of creditors' rights, (ii) may be subject to general principles of equity, whether applied by a court of law or equity, and (iii) may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

Signature

Printed Name

Date





EXHIBIT F

EXTRACT OF MINUTES
RESOLUTION OF GOVERNING BODY

Recipient: COWETA COUNTY WATER AND SEWERAGE AUTHORITY

Loan Number: DW2022030

At a duly called meeting of the governing body of the Borrower identified above (the "Borrower") held on the _____ day of _____, the following resolution was introduced and adopted.

WHEREAS, the governing body of the Borrower has determined to borrow but not to exceed **\$7,000,000** from **DRINKING WATER STATE REVOLVING FUND, ADMINISTERED BY GEORGIA ENVIRONMENTAL FINANCE AUTHORITY** (the "Lender") to finance a portion of the costs of acquiring, constructing, and installing the environmental facilities described in Exhibit A to the hereinafter defined Loan Agreement (the "Project"), pursuant to the terms of a Loan Agreement (the "Loan Agreement") between the Borrower and the Lender, the form of which has been presented to this meeting; and

WHEREAS, the Borrower's obligation to repay the loan made pursuant to the Loan Agreement will be evidenced by a Promissory Note (the "Note") of the Borrower, the form of which has been presented to this meeting;

NOW, THEREFORE, BE IT RESOLVED by the governing body of the Borrower that the forms, terms, and conditions and the execution, delivery, and performance of the Loan Agreement and the Note are hereby approved and authorized.

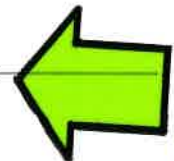
BE IT FURTHER RESOLVED by the governing body of the Borrower that the terms of the Loan Agreement and the Note (including the interest rate provisions, which shall be as provided in the Note) are in the best interests of the Borrower for the financing of the Project, and the governing body of the Borrower designates and authorizes the following persons to execute and deliver, and to attest, respectively, the Loan Agreement, the Note, and any related documents necessary to the consummation of the transactions contemplated by the Loan Agreement.

(Signature of Person to Execute Documents)

(Print Title)

(Signature of Person to Attest Documents)

(Print Title)



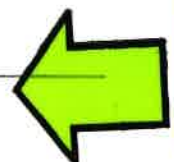
**SIGN
HERE**

The undersigned further certifies that the above resolution has not been repealed or amended and remains in full force and effect.

Dated: _____

(SEAL)

Secretary/Clerk



**SIGN
HERE**

