MCDUFFIE COUNTY/CITY OF THOMSON, GEORGIA
WATER AND SEWER COMMISSION

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

MCDUFFIE COUNTY/CITY OF THOMSON, GEORGIA
WATER AND SEWER COMMISSION
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

elliott davis decosimo

INDEPENDENT AUDITOR'S REPORT

McDuffie County/City of Thomson, Georgia
Water and Sewer Commission
Thomson, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the McDuffie County/City of Thomson, Georgia Water and Sewer Commission (the "Commission") as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Commission as of December 31, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios – retirement plan, schedule of contributions – retirement plan, and schedule of funding progress – other post-employment benefits plan, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2017 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.



Columbia, South Carolina
June 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

MCDUFFIE COUNTY/CITY OF THOMSON, GEORGIA
WATER AND SEWER COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

Within this section of the McDuffie County/City of Thomson, Georgia Water and Sewer Commission's (the "Commission") annual financial report, the Commission's management is pleased to provide this narrative discussion and analysis of the financial activities of the Commission for the year ended December 31, 2016.

Financial Highlights

- Total assets and deferred outflows of resources of the Commission exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $ 28,896,764 (net position). Of this amount, $ 1,932,124 (unrestricted net position) may be used to meet the Commission's ongoing obligations to citizens and creditors.

- The Commission's total net position increased by $ 7,425 during 2016.

- For the year ended December 31, 2016, the Commission experienced a net loss from operations of $ 69,190. This loss includes non-cash operating expenses such as depreciation, amortization, and allowances for bad debts totaling $ 1,359,850 and expenses related to other post-employment benefits (OPEB) totaling $ 56,305. Non-operating revenues decreased by $ 918,347, primarily due to a reduction in funding from special purpose local option sales tax to fund capital improvements, whereas, non-operating expenses decreased by $ 17,790. Completed sewer improvements, transferred from a City of Thomson CDBG project, resulted in an increase in capital contributions of $ 201,243.

- The Commission's total debt decreased by $ 403,480.

Overview of the Financial Statements

This Management Discussion and Analysis document introduces the Commission's financial statements. The financial statements include: (1) fund financial statements and (2) notes to the financial statements. Comparative data is presented when available.

Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Commission is comprised of a single proprietary fund which is accounted for as an enterprise fund. Enterprise funds use a perspective similar to that found in the private sector, whereby, the financial statements are prepared on the accrual basis of accounting.

The Commission's annual report includes three financial statements. These statements provide both long-term and short-term information about the Commission's overall financial status.

The first of these financial statements is the *Statement of Fund Net Position-Proprietary Funds.* This is a statement of financial position, which presents all of the Commission's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission as a whole is improving or deteriorating.

The second financial statement is the *Statement of Revenues, Expenses, and Changes in Fund Net Position-Proprietary Funds*, which reports how the Commission's net position changed during the current year.

The third financial statement is the *Statement of Cash Flows-Proprietary Funds*. This statement reports the cash provided by and used for operating activities, noncapital and capital financing activities, and investing activities with the difference reported as an increase or decrease in cash and cash equivalents for the year. Transactions not requiring the use of cash are reported as noncash investing, capital, and financing activities.

The financial statements are presented on pages 12 - 16 of this report.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the Commission's financial statements. The notes to the financial statements begin on page 17 of this report.

Financial Analysis of the Commission as a Whole

As noted earlier, net position may serve over time, as a useful indicator of whether the financial position of the Commission is improving or deteriorating. As of December 31, 2016, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $ 28,896,764 (net position).

The following table presents a summary of the Commission's net position.

NET POSITION

	2016	2015	2014
Assets			
Unrestricted current assets	$ 3,061,179	$ 2,471,653	$ 2,685,295
Restricted assets	887,629	733,129	578,629
Water contracts	105,433	112,964	120,495
Capital assests, net of accumulated depreciation	36,160,157	37,172,364	37,339,260
Total assets	40,214,398	40,490,110	40,723,679
Deferred outflows of resources	185,325	98,588	33,575
Liabilities			
Current liabilities	786,593	740,500	789,724
Long-term liabilities	10,668,355	10,892,315	10,728,262
Total liabilities	11,454,948	11,632,815	11,517,986
Deferred inflows of resources	48,011	66,544	-
Net position			
Net investment in capital assets	26,077,011	26,695,686	26,368,804
Restricted for debt service	887,629	733,129	578,629
Unrestricted	1,932,124	1,460,524	2,291,835
Total net position	$ 28,896,764	$ 28,889,339	$ 29,239,268

Total net position increased by $ 7,425 during 2016. By far the largest portion of the Commission's net position (90.24 percent) reflects its investment in capital assets (e.g. land, buildings and improvements, plant and facilities, machinery and equipment, autos and trucks, and water capacity rights); less any related debt used to acquire those assets still outstanding. The Commission uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the Commission's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Commission's net position totaling $ 887,629 (3.07 percent) represents resources that are restricted for debt service. The remaining net position totaling $ 1,932,124 (6.69 percent) is unrestricted and as such, is available to meet the Commission's ongoing obligations to its customers and creditors.

Current assets represent amounts that are available to pay current liabilities. For the year ended December 31, 2016, unrestricted current assets totaled $ 3,061,179, an increase of $ 589,526 from 2015. The increase is attributable to an increase in cash of $ 562,796, accounts receivable of $ 22,373, interest receivable of $ 370, inventories of $ 3,938, and prepaids of $ 49.

Restricted assets held under covenants prescribed by the bond document increased by $ 154,500 during 2016.

Deferred outflows of resources, which include unamortized charges on debt refunding, pension payments made subsequent to the measurement date, and the net difference between projected and actual earnings on pension plan investments totaled $ 185,325 at December 31, 2016, representing an increase of $ 86,737 over 2015. Pension related outflows increased deferred outflows of resources by $ 96,685, whereas current year amortization of unamortized charges on debt refunding decreased deferred outflows of resources by $ 9,948.

Other liabilities, amounts due and payable within the next year, including current maturities of long-term debt, totaled $ 786,593 as of December 31, 2016, which represents an increase of $ 46,093 from 2015. The increase consists of increases in customer deposits, intergovernmental payables, accrued expenses, and the current portion of long-term debt of $ 5,286, $ 10,613, $ 9,321, and $ 20,951, respectively. Accounts payable decreased by $ 78.

The Commission is reporting deferred inflows of resources totaling $ 48,011 at December 31, 2016. These inflows represent deferred charges related to pensions and include differences between expected and actual experience totaling $ 38,743 and changes in assumptions totaling $ 9,268.

The following table provides a summary of the Commission's changes in net position:

CHANGES IN NET POSITION

	2016	2015	2014
Revenues			
Operating revenues			
Charges for services	$ 4,752,445	$ 4,307,240	$ 4,281,122
Non-operating revenues			
Capital contributions	204,290	3,047	356,683
Special local option sales tax	147,651	1,071,069	166,612
Other	23,064	17,993	4,640
Total revenues	5,127,450	5,399,349	4,809,057
Expenses			
Operating expenses	4,821,635	4,838,499	4,829,599
Non-operating expenses			
Interest expense	298,390	316,180	334,524
Total expenses	5,120,025	5,154,679	5,164,123
Increase (decrease) in net position	7,425	244,670	(355,066)
Net position, beginning of year, as originally reported	28,889,339	29,239,268	29,594,334
Implementation effect of GASB Statement Nos. 68 and 71	-	(594,599)	-
Net position, beginning of year, as restated	28,889,339	28,644,669	29,594,334
Net position, end of year	$ 28,896,764	$ 28,889,339	$ 29,239,268

Revenues for charges and services increased in 2016 by $ 445,205, which represents an increase of 10.34 percent.

Capital contributions for the year ended December 31, 2016 totaled $ 204,290. The City of Thomson, Georgia (the "City") and McDuffie County, Georgia (the "County") contribute capital assets funded with capital grants awarded in their names to the Commission upon completion of the projects. The capital contribution for 2016 represents sewer improvements included in a City CDBG project completed in 2016.

Proceeds from the Special Local Option Sales Tax (SPLOST) are used to fund the local match on capital projects funded with federal and State capital grants, locally funded capital projects, and purchases of other water sewer capital assets. The use of SPLOST funds is discretionary and is voted on and approved by the Commission. Accordingly, SPLOST proceeds recognized in a given year are dependent on the size and number of capital projects being undertaken by the Commission during the year. Total funding received from SPLOST during 2016 was $ 147,651. This amount represents a reimbursement for grant matching funds paid out of the water sewer renewal and extension fund.

Other non-operating revenues increased by $ 5,071 which is attributable to an increase in sales of surplus property of $ 15,000, interest income of $ 163, and a decrease in insurance claims of $ 10,092.

Operating expenses decreased by $ 16,864 in 2016. This decrease includes a reduction in costs for professional and technical services of $ 116,041, other purchased services of $ 20,286, supplies of $ 88,477, and other of $ 9,074. Costs incurred for personnel services and benefits, repairs and maintenance, intergovernmental, depreciation, and bad debts increased in 2016 by $ 95,299, $ 41,536, $ 73,161, $ 2,892, and $ 4,126, respectively.

Capital Assets

The Commission's investment in capital assets as of December 31, 2016 totaled $ 36,160,157 (net of accumulated depreciation) which represents a net decrease of $ 1,012,207. This investment in capital assets includes land, buildings and improvements, plant and facilities, machinery and equipment, autos and trucks, and water capacity rights.

During 2012, the Commission assumed all water sewer related debts of the County and the Town of Dearing, Georgia (the "Town") in exchange for exclusive use of the underlying assets and all future revenues derived therefrom. The exclusive rights granted to the Commission totaled $ 6,083,014, which represents the total debt assumed, net of cash contributed by the County and the Town. These rights are described as "water capacity rights" and are accounted for as capital assets in accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Water capacity rights are being amortized using the straight-line method. Amortization of water capacity rights totaled $ 293,157 for the year and is reported as part of depreciation expense in the financial statements.

Capital asset additions include the purchase of 5.68 acres of vacant land adjoining the wastewater treatment plant totaling $ 24,992, equipment and truck totaling $ 90,842, a pressure washing station totaling $ 8,923, and sewer improvements totaling $ 204,290. There was no construction in progress as of December 31, 2016.

These additions were funded with a capital contribution of $ 204,290 from a City CDBG capital project that was completed in 2016, capital lease proceeds of $ 75,842, water sewer revenues totaling $ 33,915, and a trade-in allowance on surplus property totaling $ 15,000.

Fully depreciated capital assets, with an original cost basis of $ 57,021, were traded in for new equipment in 2016.

Annual depreciation expense, including amortization of water capacity rights described above, recorded in 2016 totaled $ 1,341,254.

There were no other significant capital asset transactions during the year.

Additional information on capital assets can be found in Note 4 to the financial statements of this report.

Debt Administration

On August 31, 2012, the City and the County, passed a joint resolution calling for the issuance of water and sewerage revenue refunding bonds (Series 2012A and Series 2012B) to refinance all existing water sewer related debt of the Commission, the County and the Town. Total debt refinanced was $ 11,481,017, after equity contributions of $ 1,245,238 from the Commission and County. Existing Commission debt refinanced totaled $ 4,884,892; County debt assumed totaled $ 5,809,800 and Town debt assumed totaled $ 786,325. Bond issuance costs, discounts, and unamortized charges from prior refundings totaled $ 345,881. Total proceeds from the new bond issue were $ 11,810,000.

The resolution called for the Commission to assume all water sewer related debt of the County and Town totaling $ 5,809,800 and $ 786,325, respectively. Restrictions in existing grant and loan agreements precluded the transfer of the underlying capital assets to the Commission. Accordingly, in exchange for the assumption of debt, the Commission received exclusive rights to use of the underlying capital assets and all future revenues derived therefrom. In addition, the County and Town were required to remit to the Commission all funds held in their respective water sewer operating, reserve, and debt service accounts not otherwise applied to the refinancing. The excess of debt assumed over cash received and offset of other intergovernmental payables totaled $ 6,083,014 and is recorded as water capacity rights on the Statements of Fund Net Position-Proprietary Funds.

As of December 31, 2016, the principal balance of the Series 2012A bonds was $ 9,870,000 and the principal balance of the Series 2012B bonds was $ 200,000.

During 2016, the Commission, in conjunction with the City, entered into a capital lease to purchase equipment and a service vehicle. The Commission's proportionate share of the lease proceeds and quarterly payments totaled $ 75,842 and $ 4,016, respectively. As of December 31, 2016 the outstanding principal balance on the capital lease was $ 64,992.

There was no other outstanding debt as of December 31, 2016.

Additional information on long-term debt can be found in Note 5 to the financial statements of this report.

Economic Factors Affecting the Water and Sewer Commission

The Commission is committed to providing its customers with high quality drinking water, reliable sewage delivery systems, and facilities to treat wastewater in a safe and responsible manner. This commitment is demonstrated in the Commission's efforts to provide operator training and certification, monitoring of the systems inflows and outflows, evaluation of existing systems, and exploring new technologies to enhance and improve its delivery systems.

While many state and local governments face legal challenges to water rights and struggle with the possibility of shortages in water supply, the Commission has planned for and positioned itself with an ample source of water for generations to come. The Commission's two water treatment plants provide quality drinking water for a large majority of County residents. Additional revenues are generated through agreements with other local governments to purchase a limited amount of water from the system. These agreements provide a cost effective means of providing water to households and industries that might not have been available otherwise.

The Commission fully understands that access to adequate, reliable, and well maintained water sewer systems is a key component in attracting new industries and residential developments to the community. Water and sewer services have been extended to a large majority of the local industrial parks and major improvements have been made to many residential neighborhoods throughout the service area. These expansions and improvements have been funded in large part by capital grants that do not have to be repaid, low interest loans with extended repayment terms, and special local option sales tax that is funded in large part by individuals living outside of the community. The Commission, along with its participating local governments, actively pursues available low cost funding sources for future expansion and improvements to the system.

Request for Information

This financial report is designed to provide a general overview of the McDuffie County/City of Thomson, Georgia Water and Sewer Commission's finances for those with an interest in the Commission's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Don Powers, City Administrator, P.O. Box 1017, Thomson, Georgia 30824.

FINANCIAL STATEMENTS

McDUFFIE COUNTY/CITY OF THOMSON, GEORGIA
WATER AND SEWER COMMISSION
STATEMENTS OF FUND NET POSITION-PROPRIETARY FUNDS

	December 31, 2016	December 31, 2015
ASSETS		
Current assets		
Cash	$ 2,479,289	$ 1,916,493
Restricted cash	240,426	237,925
Accounts receivable (net of allowance for uncollectibles of $ 268,740 for 2016 and $ 257,675 for 2015)	538,472	516,099
Interest receivable	2,619	2,249
Inventories	15,571	11,633
Prepaids	25,228	25,179
Total current assets	3,301,605	2,709,578
Noncurrent assets		
Restricted cash	647,203	495,204
Water contracts	105,433	112,964
Capital assets		
Land	246,026	221,034
Buildings and improvements	27,244	18,321
Plant and facilities	49,912,577	49,708,287
Machinery and equipment	975,116	988,614
Autos and trucks	645,735	598,416
Water capacity rights	6,083,014	6,083,014
Less accumulated depreciation	(21,729,555)	(20,445,322)
Total capital assets (net of accumulated depreciation)	36,160,157	37,172,364
Total noncurrent assets	36,912,793	37,780,532
Total assets	40,214,398	40,490,110
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized charges on debt refunding	2,165	12,113
Deferred outflows related to pension	183,160	86,475
Total deferred outflows of resources	185,325	98,588
Total assets and deferred outflows of resources	40,399,723	40,588,698

(Continued)

McDUFFIE COUNTY/CITY OF THOMSON, GEORGIA
WATER AND SEWER COMMISSION
STATEMENTS OF FUND NET POSITION-PROPRIETARY FUNDS

	December 31, 2016	December 31, 2015
LIABILITIES		
Current liabilities		
Accounts payable	48,999	49,077
Customer deposits	138,893	133,607
Intergovernmental payable	20,808	10,195
Accrued expenses	88,469	79,148
Current portion of capital lease payable	14,749	-
Current liabilities payable from restricted assets		
Current portion of revenue bonds payable	474,675	468,473
Total current liabilities	786,593	740,500
Noncurrent liabilities		
Capital lease payable	50,243	-
Revenue bonds payable	9,545,644	10,020,318
Net pension liability	729,625	585,459
Net OPEB obligation	342,843	286,538
Total noncurrent liabilities	10,668,355	10,892,315
Total liabilities	11,454,948	11,632,815
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension	48,011	66,544
Total liabilities and deferred inflows of resources	11,502,959	11,699,359
NET POSITION		
Net investment in capital assets	26,077,011	26,695,686
Restricted for debt service	887,629	733,129
Unrestricted	1,932,124	1,460,524
Total net position	$ 28,896,764	$ 28,889,339

The notes to the financial statements are an integral part of this statement.

McDUFFIE COUNTY/CITY OF THOMSON, GEORGIA
WATER AND SEWER COMMISSION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

	For the Years Ended December 31,	
	2016	2015
OPERATING REVENUES		
Charges for sales and services		
Water and sewer sales	$ 4,559,048	$ 4,151,262
Penalties	101,401	92,351
Other services	91,996	63,627
Total operating revenues	4,752,445	4,307,240
OPERATING EXPENSES		
Personnel services and benefits	1,557,622	1,462,323
Professional and technical services	71,137	187,178
Repairs and maintenance	376,926	335,390
Other purchased services	738,912	759,198
Supplies	435,335	523,812
Intergovernmental	267,416	194,255
Other	14,437	23,511
Depreciation	1,341,254	1,338,362
Amortization	7,531	7,531
Bad debts	11,065	6,939
Total operating expenses	4,821,635	4,838,499
Operating loss	(69,190)	(531,259)
NON-OPERATING REVENUES (EXPENSES)		
Special local option sales tax	147,651	1,071,069
Sales of surplus property	15,000	-
Insurance claims	4,688	14,780
Interest income	3,376	3,213
Interest expense	(298,390)	(316,180)
Total non-operating revenues (expenses)	(127,675)	772,882
Income (loss) before contributions	(196,865)	241,623
CAPITAL CONTRIBUTIONS	204,290	3,047
Change in net position	7,425	244,670
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY REPORTED	28,889,339	29,239,268
Implementation effect of GASB Statement Nos. 68 and 71	-	(594,599)
NET POSITION, BEGINNING OF YEAR, AS RESTATED	28,889,339	28,644,669
NET POSITION, END OF YEAR	$ 28,896,764	$ 28,889,339

The notes to the financial statements are an integral part of this statement.

McDUFFIE COUNTY/CITY OF THOMSON, GEORGIA
WATER AND SEWER COMMISSION
STATEMENTS OF CASH FLOWS-PROPRIETARY FUNDS

	For the Years Ended December 31, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$ 4,724,293	$ 4,306,719
Payments to suppliers	(1,896,068)	(1,938,732)
Payments to employees	(1,464,735)	(1,441,954)
Net cash provided by operating activities	1,363,490	926,033
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from intergovernmental funds received	-	5,200
Net cash provided by noncapital financing activities	-	5,200
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from special local option sales tax	147,651	1,124,539
Proceeds from insurance claims	4,688	14,780
Proceeds from capital lease	75,842	-
Purchases and construction of assets	(109,757)	(1,319,706)
Payments on long-term debt	(485,850)	(470,000)
Interest paid	(281,774)	(286,488)
Net cash used in capital and related financing activities	(649,200)	(936,875)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	3,006	4,382
Net cash provided by investing activities	3,006	4,382
Net increase (decrease) in cash	717,296	(1,260)
Cash, beginning of year	2,649,622	2,650,882
Cash, end of year	$ 3,366,918	$ 2,649,622
CASH PER STATEMENT OF NET POSITION		
Cash	$ 2,479,289	$ 1,916,493
Restricted cash-current	240,426	237,925
Restricted cash-noncurrent	647,203	495,204
	$ 3,366,918	$ 2,649,622

(Continued)

McDUFFIE COUNTY/CITY OF THOMSON, GEORGIA
WATER AND SEWER COMMISSION
STATEMENTS OF CASH FLOWS-PROPRIETARY FUNDS

	For the Years Ended December 31, 2016	2015
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	$ (69,190)	$ (531,259)
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation	1,341,254	1,338,362
Amortization	7,531	7,531
Construction in progress-noncapital	-	94,770
Other pension related charges	28,948	(29,071)
Other post employment benefits (OPEB)	56,305	47,067
(Increase) decrease in current assets		
Accounts receivable	(22,373)	1,463
Inventories	(3,938)	2,214
Prepaids	(49)	(2,587)
Increase (decrease) in current liabilities		
Accounts payable	(78)	(9,785)
Intergovernmental payables	10,613	379
Customer deposits	5,286	4,955
Accrued expenses	9,181	1,994
Total adjustments	1,432,680	1,457,292
Net cash provided by operating activities	$ 1,363,490	$ 926,033
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Contribution of capital assets from other government	$ 204,290	$ -
Allowance received on trade in of capital assets	15,000	-
Total noncash investing, capital and financing activities	$ 219,290	$ -

The notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Introduction

The financial statements of the McDuffie County/City of Thomson, Georgia Water and Sewer Commission (the "Commission") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accompanying summary of the Commission's more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report.

B. The Financial Reporting Entity

McDuffie County, Georgia (the "County") and the City of Thomson, Georgia (the "City") entered into an agreement to establish the McDuffie County/City of Thomson, Georgia Water and Sewer Commission to operate, maintain and extend the Water and Sewerage System (the "System") for the residents of the City and County. On April 1, 1988, the Commission assumed ownership and operations of the City of Thomson Water and Sewer Enterprise Fund and began collecting a 1% special purpose local option sales tax to fund expansion of the existing System. The terms of the agreement are binding for a period of 50 years commencing on April 1, 1988. A seven member board administers the Commission and is composed of the County Commission Chairman, one County Commissioner, one resident of the County, the Mayor of the City, one City Council member, one City resident, and one County resident appointed by the Commission.

The County and City equally own and maintain the System and any future improvements to it. The County administers the special 1% construction fund, as well as, grants and loans obtained in the County's name for expansion of the System. The City is responsible for any construction funds derived from grants and loans obtained in the City's name, as well as, all funds from operating the System. Daily operations of the System are carried out by the City's water and sewer department. All funds generated by the System are to be used for operating, maintaining, improving, or expanding the System.

Based on the standards established by GASB Statement No. 14, *The Financial Reporting Entity,* the Commission is a separate organization classified as a joint venture.

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (1) an ongoing financial interest or (2) an ongoing financial responsibility. Joint ventures are established for a number of reasons, ranging from economies of scales to effective risk management while providing a service directly to the individual governments involved or the citizens served by the governments. Joint control means that no one entity can unilaterally control the operational and financial policies of the commonly controlled entity.

An ongoing financial interest in a joint venture is present when the agreement stipulates that participating governments have an explicit, measurable right to the present and future net resources of the venture.

A participating government has an ongoing financial responsibility if it is obligated in some manner for the debts of a joint venture or when the joint venture's existence depends on continued funding by the participating government.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Commission is a proprietary fund operating as an enterprise fund. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with financial-related legal and contractual provisions.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgetary Accounting and Control

The Commission's annual budget is adopted by the Mayor and City Council as part of the City's management duties. Prior to September 1, a proposed operating budget is submitted for the fiscal year commencing the following January 1. The operating budget includes proposed expenses and the means of financing them. Public hearings are conducted to obtain public input. Prior to November 1, the budget is legally enacted through passage of a resolution. The City, in its administration of Commission funds, is authorized to amend the adopted budget when unexpected modifications are required in estimated revenues and expenses. Budget appropriations lapse at year-end.

The Commission's budget differs in perspective to GAAP whereby the legally adopted budget is on the cash basis, capital expenditures are accounted for as expenses, and in its classifications and the order in which line item expenditures are presented.

The Commission's budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenses are budgeted by department and character (personnel services, maintenance and operations, capital outlay, and debt service) which constitutes the legal level of control. Expenses may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the Commission. Within these control levels, management may transfer appropriations without Commission approval. Revisions to the budget were made throughout the year.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

Cash

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments that mature within three months of the date acquired by the Commission.

Receivables

All receivables are reported at their net realizable value. The Commission uses the allowance method for recording bad debts. The allowance for bad debt reserves for amounts owed from customers that have purchased services from the Commission is determined by analysis of the year-end receivable balances for those accounts which the Commission believes will not be collected based on past history.

Unbilled utility service receivables are recorded at year-end. As of December 31, 2016 and 2015, unbilled receivables totaled $ 281,238 and $ 237,453, respectively.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intergovernmental Receivables and Payables

The Commission receives funding from federal, state, and local governments for capital projects and operations. In addition, the Commission remits payment to the participating governments for the Commission's share of common operating costs. The amounts due from and due to the other governments, related to these agreements, are recorded as intergovernmental receivables and payables.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist of various supplies of pipes, meters, and other items that may be needed for repairs, maintenance, or minor construction projects.

Prepaids

The Commission uses the allocation method for accounting for prepaids. Under the allocation method, an asset is established at the date of payment and subsequently amortized over the accounting periods that are expected to benefit from the initial payment.

Restricted Assets

The restricted cash reflects amounts set aside for debt service related to the bonds payable. The bond resolution requires a reserve account to be maintained equal to the debt service requirements of the bonds. The resolution also requires a sinking fund to be maintained equal to one-sixth of the next ensuing interest payment and one-twelfth of the next ensuing principal payment. Both of these accounts are restricted for debt service.

Capital Assets

Capital assets are defined by the Commission as assets with an initial individual cost greater than $ 5,000 (amount not rounded) and an estimated useful life in excess of one year. Individual assets that cost less than $ 5,000, but that operate as part of a network system, are capitalized in the aggregate using the group method if considered material or significant. Capital assets are valued at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. No interest was capitalized during the years ended December 31, 2016 and 2015.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation of capital assets is charged as an expense against operations and accumulated depreciation is reported on the Statements of Fund Net Position. Depreciation has been provided using the straight-line method over the assets' estimated useful lives as follows:

Buildings and improvements	25-40 years
Plant and facilities	25-50 years
Machinery and equipment	5-7 years
Autos and trucks	5 years
Water capacity rights	5-20 years

Water capacity rights granted to the Commission for the exclusive use of other governmentally owned systems and revenues derived therefrom are accounted for as capital assets. Amortization is being provided for using the straight-line method.

Compensated Absences

Employees may accumulate up to 20 days of unused vacation leave to be received as compensation upon separation from service. Accumulated vacation pay totaled $ 43,112 and $ 41,006 for the years ended December 31, 2016 and 2015, respectively. These amounts are included in accrued expenses in the Statements of Fund Net Position.

There is no liability for unpaid accumulated sick leave since the Commission does not have a policy to pay any amounts for accumulated sick leave when employees separate from service.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the proprietary fund's Statements of Fund Net Position. Bonds payable are reported net of applicable bond discounts which are amortized over the life of the bonds using the effective interest rate method. Amortization expense is recorded as additional interest expense.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Fund Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Commission reports deferred charges on debt refunding and deferred outflows related to pensions in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows related to pensions represent employer contributions to its pension plan made subsequent to the Plan's measurement date for computing the net pension liability and the net difference between projected and actual earnings on pension plan investments. Contributions made subsequent to the Plan's measurement date will be recognized as a reduction of the net pension liability in the following year, whereas investment changes are recognized as a reduction in pension expense over time instead of being recognized in the year of occurrence.

In addition to liabilities, the Statements of Fund Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission reports deferred inflows related to pensions in this category. These inflows represent changes in the net pension liability that are recognized as pension expense over time instead of all being recognized in the year of occurrence.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in reporting which utilizes the economic resources measurement focus.

The Commission's net position is classified as follows:

Net investment in capital assets: This represents the Commission's total investment in capital assets, net of debt related to those capital assets.

Restricted: This represents the net amount of assets subject to constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Unrestricted: This represents the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in any other category of net position.

F. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were recorded.

NOTE 2 - CASH

Statutes authorize the Commission to make direct investment in obligations of Georgia or the U.S. Government, obligations fully insured or guaranteed by the U.S. Government, repurchase agreements and certificates of deposit that are secured by direct obligations of Georgia or the U.S. Government.

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk.

The Commission maintains its cash on deposit with local financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2016, the carrying amount of the Commission's deposits was $ 3,366,918 and the bank balance totaled $ 3,311,268. As of December 31, 2015, the carrying amount of the Commission's deposits was $ 2,649,622 and the bank balance totaled $ 2,749,730.

(Continued)

NOTE 2 – CASH (Continued)

Deposits of the Commission were fully collateralized as of December 31, 2016 and 2015. Collateralization of the Commission's deposits as of December 31, 2016 and 2015 is as follows:

	2016	2015
Amount insured by FDIC	$ 500,000	$ 500,000
Amount collateralized with securities held by the pledging financial institution's trust department or agent in the Commission's name	2,811,268	2,249,730
Total bank balance	$ 3,311,268	$ 2,749,730

NOTE 3 - ACCOUNTS RECEIVABLE

As of December 31, 2016, accounts receivable totaled $ 538,472 including unbilled receivables of $ 281,238 and net of an allowance for uncollectible accounts of $ 268,740. Accounts receivable totaled $ 516,099 including unbilled receivables of $ 237,453 and net of an allowance for uncollectible accounts of $ 257,675 as of December 31, 2015.

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2016, was as follows:

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
Capital assets not being depreciated				
Land	$ 221,034	$ 24,992	$ -	$ 246,026
Total capital assets not being depreciated	221,034	24,992	-	246,026
Capital assets being depreciated				
Buildings and improvements	18,321	8,923	-	27,244
Plant and facilities	49,708,287	204,290	-	49,912,577
Machinery and equipment	988,614	43,523	(57,021)	975,116
Autos and trucks	598,416	47,319	-	645,735
Water capacity rights	6,083,014	-	-	6,083,014
Total capital assets being depreciated	57,396,652	304,055	(57,021)	57,643,686
Less accumulated depreciation				
Buildings and improvements	(6,183)	(570)	-	(6,753)
Plant and facilities	(17,966,797)	(1,000,414)	-	(18,967,211)
Machinery and equipment	(932,148)	(28,398)	57,021	(903,525)
Autos and trucks	(563,004)	(18,715)	-	(581,719)
Water capacity rights	(977,190)	(293,157)	-	(1,270,347)
Less accumulated depreciation	(20,445,322)	(1,341,254)	57,021	(21,729,555)
Net capital assets being depreciated	36,951,330	(1,037,199)	-	35,914,131
Capital assets-net	$ 37,172,364	$ (1,012,207)	$ -	$ 36,160,157

(Continued)

NOTE 4 - CAPITAL ASSETS (Continued)

Capital assets activity for the year ended December 31, 2015, was as follows:

	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
Capital assets not being depreciated				
Land	$ 221,034	$ -	$ -	$ 221,034
Construction in progress	234,767	1,266,236	(1,501,003)	-
Total capital assets not being depreciated	455,801	1,266,236	(1,501,003)	221,034
Capital assets being depreciated				
Buildings and improvements	18,321	-	-	18,321
Plant and facilities	48,302,054	1,406,233	-	49,708,287
Machinery and equipment	988,614	-	-	988,614
Autos and trucks	613,708	-	(15,292)	598,416
Water capacity rights	6,083,014	-	-	6,083,014
Total capital assets being depreciated	56,005,711	1,406,233	(15,292)	57,396,652
Less accumulated depreciation				
Buildings and improvements	(5,725)	(458)	-	(6,183)
Plant and facilities	(16,982,488)	(984,309)	-	(17,966,797)
Machinery and equipment	(887,274)	(44,874)	-	(932,148)
Autos and trucks	(562,732)	(15,564)	15,292	(563,004)
Water capacity rights	(684,033)	(293,157)	-	(977,190)
Less accumulated depreciation	(19,122,252)	(1,338,362)	15,292	(20,445,322)
Net capital assets being depreciated	36,883,459	67,871	-	36,951,330
Capital assets-net	$ 37,339,260	$ 1,334,107	$ (1,501,003)	$ 37,172,364

For the year ended December 31, 2015, construction in progress included costs, totaling $ 94,770, that were determined to be noncapital in nature. This amount was reclassified as a current year expense in 2015 and is included in construction in progress deletions reported above.

Depreciation expense totaled $ 1,341,254 for the year ended December 31, 2016 and $ 1,338,362 for the year ended December 31, 2015.

GAAP requires that interest expenditures incurred during construction of assets be capitalized and that constructed assets financed with the proceeds of tax exempt debt (if those funds are externally restricted to finance the acquisitions of the asset or used to service the related debt) should include capitalized interest only to the extent that interest cost exceeds interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowing. No interest was capitalized during the years ended December 31, 2016 and 2015.

NOTE 5 - LONG-TERM DEBT

Capital Lease

On February 26, 2016, the Commission, in conjunction with the City, entered into a capital lease with the Georgia Municipal Association to purchase equipment and service vehicles. The lease was subsequently assigned and transferred to Branch Banking & Trust Company. Terms of the lease require 20 quarterly payments, including principal and interest at 2.21%, beginning May 26, 2016 with the final payment being due February 26, 2021. The Commission's proportionate share of lease proceeds and quarterly payments totaled $ 75,842 and $ 4,016, respectively.

There were no capital leases outstanding as of December 31, 2015.

Future minimum lease payments to maturity are as follows:

Year Ending		
2017	$	16,064
2018		16,064
2019		16,064
2020		16,064
2021		4,016
Total minimum lease payments		68,272
Less amount representing interest		(3,280)
Present value of minimum lease payments	$	64,992

Assets acquired through the capital lease and accumulated depreciation thereon was as follows as of December 31, 2016:

Asset		
Autos and trucks	$	47,319
Machinery and equipment		43,523
Less accumulated depreciation		(7,841)
Total	$	83,001

Revenue Bonds

Advance Refunding and Prepayment of Other Long-Term Debt

On August 31, 2012 it was resolved, by way of a joint resolution of the City and County, that due to present market conditions and in order to restructure the existing debt service on all System indebtedness, that all of the outstanding Series 2005 Bonds be refunded through an advance refunding resulting in defeasance of the Series 2005 Bonds. To achieve substantial debt service savings, it was further resolved to prepay certain promissory notes in favor of the Georgia Environmental Finance Authority (GEFA), bonds issued by the County to Rural Development, U.S.D.A, ("Rural Development") and bonds issued by the Town to Rural Development.

(Continued)

NOTE 5 - LONG-TERM DEBT (Continued)

Refunding of the 2005 Series Bonds and prepayment of other debts was accomplished by the issuance of City of Thomson, Georgia and McDuffie County Water and Sewerage Revenue Refunding Bonds, Series 2012A Bonds (the "Series 2012A Bonds"), totaling $ 9,870,000 and issuance of City of Thomson, Georgia and McDuffie County Water and Sewerage Taxable Revenue Refunding Bonds, Series 2012B Bonds (the "Series 2012B Bonds"), totaling $ 1,940,000, and additional funds provided by the Commission and County totaling $ 1,245,238.

The Commission advance refunded the existing bonds and prepaid other long-term debt to shorten the debt repayment schedule by 15 years, resulting in debt service savings of $ 4,568,674 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $ 1,177,259.

Series 2005 Revenue Bonds Payable

On August 31, 2012, the City and County refunded all of the outstanding Series 2005 Bonds, maturing on July 1, 2018 with an aggregate principal balance of $ 1,360,000, resulting in defeasance of the Series 2005 Bonds. A portion of the proceeds from the Series 2012B Bonds, totaling $ 1,006,574, along with sinking fund and debt service reserve funds, totaling $ 458,006 were deposited with Regions Bank, as Escrow Agent. These funds were used to acquire certain direct obligations of the United States of America in amounts sufficient to fully refund the Series 2005 Bonds outstanding for 2013 thru 2018. With provisions having been duly and legally made for the acquisition of all the Series 2005 Bonds, the 2005 Resolution is null and void and all liens created thereunder on the net revenues of the System were fully and completely discharged.

The reacquisition price of the Series 2005 Bonds totaled $ 1,464,580 and the net carrying amount of the Series 2005 Bonds as restated pursuant to GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* was $ 1,343,101 at the refunding date. The net difference of $ 121,479 represents unamortized charges on debt refunding and is shown, net of accumulated amortization, as a deferred outflow of resources on the Statements of Fund Net Position in accordance with GASB Statement No. 65. Amortization of unamortized charges on debt refunding is being provided for over the life of the Series 2012B Bonds (4.75 years) using the effective interest rate method. Amortization of unamortized charges on debt refunding totaled $ 9,948 for the year ended December 31, 2016 and $ 21,462 for the year ended December 31, 2015 and is included in interest expense on the Statements of Revenues, Expenses, and Changes in Fund Net Position.

Series 2012A Revenue Bonds Payable

On August 31, 2012, the City and County issued City of Thomson, Georgia and McDuffie County Water and Sewerage Revenue Refunding Bonds, Series 2012A (the "Series 2012A Bonds") in the principal amount of $ 9,870,000. Proceeds of the Series 2012A Bonds were used to prepay notes payable to the Georgia Environmental Facilities Authority (GEFA), bonds issued by the County and Town to Rural Development, and to pay expenses related to the issuance of the Series 2012A Bonds.

Proceeds from the Series 2012A Bonds, after discounts of $ 70,906, totaled $ 9,799,094. Of this amount, $ 3,970,130 was used to prepay notes payable to GEFA, $ 4,920,857 and $ 786,325 was used to refund bonds issued by the County and Town to Rural Development, $ 111,296 was used to pay issuance costs of the Series 2012A Bonds, and $ 10,486 was transferred to the Thomson-McDuffie Sinking Fund.

Interest payments are payable semiannually on the 1st day of January and July of each year, whereas principal payments are due on the 1st day of July of each year with final payment being due July 1, 2033. Interest is computed using varying rates ranging from 2.00% to 3.00%. The outstanding principal balance on the Series 2012A Bonds was $ 9,870,000 as of December 31, 2016, of which $ 280,000 is due within one year.

(Continued)

NOTE 5 - LONG-TERM DEBT (Continued)

Series 2012B Revenue Bonds Payable

On August 31, 2012, the City and County issued City of Thomson, Georgia and McDuffie County Water and Sewerage Taxable Revenue Refunding Bonds, Series 2012B (the "Series 2012B Bonds") in the principal amount of $ 1,940,000. Proceeds of the Series 2012B Bonds were used to advance refund the Series 2005 Bonds and advance refund a portion of the County USDA Series 2008 Bonds, as well as, to pay expenses related to the issuance of the Series 2012B Bonds

Proceeds from the Series 2012B Bonds, after discounts of $ 17,967, totaled $ 1,922,033. The Commission and County provided additional funding of $ 458,006 and $ 800,000, respectively. Total funds provided to achieve the foregoing were $ 3,180,039. Of this amount $ 1,464,580 was used to advance refund the Series 2005 Bonds, $ 1,688,943 was used to refund a portion of the County USDA Series 2008 Bonds, $ 24,233 was used to pay issuance costs of the Series 2012B Bonds, and $ 2,283 was transferred to the Thomson-McDuffie Sinking Fund.

Interest payments are payable semiannually on the 1st day of January and July of each year, whereas principal payments are due on the 1st day of July of each year with final payment being due July 1, 2017. Interest is computed at 1.70%. The outstanding principal balance on the Series 2012B Bonds was $ 200,000 as of December 31, 2016, of which $ 200,000 is due within one year.

Bond Covenants

The bond resolution requires several funds and accounts to facilitate the operation of the System and provide for servicing the bond obligation. The Revenue Fund is used as the depository for all revenues derived from the ownership and operation of the System. Costs of operating, maintaining and repairing the System are paid from the Revenue Fund. A Sinking Fund consisting of two accounts designated as the "Debt Service Account" and "Reserve Account" is maintained to provide for payment of the principal and interest of the bonds. A monthly deposit is made to the Debt Service Account in amounts sufficient to fully fund the next ensuing payment of principal and interest. The Debt Service Account deposit requirement was $ 378,626 at December 31, 2016. As of December 31, 2016, the balance in the Debt Service Account totaled $ 240,426 after payment of interest due January 1, 2017 totaling $ 138,626. The resolution stipulates that substantially equal monthly payments be deposited into the Reserve Account within 60 months from the date of issuance to create a reserve equal to the debt service reserve requirement on all bonds then outstanding. As of December 31, 2016, the required balance to be deposited into the Reserve Account was $ 646,000, whereas actual deposits held in the Reserve Account totaled $ 647,203.

The resolution requires that a "Renewal and Extension Fund" be maintained with a balance equal to at least 10% of the operating expenses of the System for the preceding fiscal year. Total deposits held in the Renewal and Extension Account as of December 31, 2016 were $ 1,231,342, whereas the required minimum balance was $ 347,285. These funds are to be used for (1) debt service in the event the Sinking Fund does not have sufficient money; (2) an emergency having a major effect on the System; (3) making replacements, additions, extensions, improvements, and acquiring equipment deemed to be reasonable and in the best interest of the City and County; (4) payment of amounts drawn under a surety bond; or (5) payment of the charges of any depository for investment services.

In addition, the bond resolution requires the Commission to maintain charges for services sufficient to operate and maintain the System, maintain required reserves, and provide net revenues of at least 120% of the debt service requirements of the Series 2012 Bonds (the "bond rate covenant").

For the year ended December 31, 2016, adjusted net revenues available for debt service totaled $ 1,282,971 and the total combined debt service requirement was $ 758,902 resulting in a debt service ratio of 169% (rounded). Failure to meet this covenant could result in any bondholder bringing appropriate legal action to compel the Commission to revise its rates to meet this requirement.

(Continued)

NOTE 5 - LONG-TERM DEBT (Continued)

The bonds are revenue bonds and are not considered debts of either the City or County. The bonds are secured by the net revenues of the System, the Sinking Fund Account and the Revenue Fund.

Bond Discounts and Unamortized Charges

Bond discounts on the Series 2012A Bonds totaled $ 70,906, whereas bond discounts attributable to the Series 2012B Bonds totaled $ 17,967. Unamortized charges related to the Series 2005 refunding totaled $ 121,479. Bond discounts and unamortized charges on refunding are being amortized over the life of the bonds using the effective interest-rate method. Amortization attributable to the 2012 Bonds totaled $ 16,475 and $ 29,693 for the years ended December 31, 2016 and 2015, respectively and is included in interest expense in the Statements of Revenues, Expenses, and Changes in Fund Net Position.

Annual requirements to fully amortize the Series 2012A and Series 2012B bonds outstanding as of December 31, 2016 are as follows:

Year Ending	Principal	Interest	Total
2017	$ 480,000	$ 277,252	$ 757,252
2018	490,000	268,253	758,253
2019	500,000	258,453	758,453
2020	510,000	248,453	758,453
2021	520,000	238,253	758,253
2022 thru 2026	2,840,000	947,813	3,787,813
2027 thru 2031	3,280,000	509,745	3,789,745
2032 thru 2033	1,450,000	65,550	1,515,550
	$ 10,070,000	$ 2,813,772	$ 12,883,772

The Series 2012A Bonds maturing on or after July 1, 2023, may be redeemed prior to their respective maturities at the option of the City and the County on or after July 1, 2022, in whole or in part at any time, at the redemption price of par plus accrued interest to the redemption date. The Series 2012B Bonds are not subject to optional redemption prior to maturity.

The Series 2012A Bonds maturing on July 1, 2031 are subject to mandatory redemption on July 1, 2030 and 2031. Series 2012A Bonds maturing on July 1, 2033 are also subject to mandatory redemption on July 1, 2032 and 2033.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Balance 12/31/2015	Additions	Reductions	Balance 12/31/2016	Due Within One Year
Capital lease	$ -	$ 75,842	$ (10,850)	$ 64,992	$ 14,749
Revenue bonds payable	10,545,000	-	(475,000)	10,070,000	480,000
Less bond discounts	(56,209)	-	6,528	(49,681)	(5,325)
Revenue bonds payable-net	10,488,791	-	(468,472)	10,020,319	474,675
Long-term liabilities	$ 10,488,791	$ 75,842	$ (479,322)	$ 10,085,311	$ 489,424

(Continued)

NOTE 5 - LONG-TERM DEBT (Continued)

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Balance 12/31/2014	Additions	Reductions	Balance 12/31/2015	Due Within One Year
Revenue bonds payable	$ 11,015,000	$ -	$ (470,000)	$ 10,545,000	$ 475,000
Less bond discounts	(64,439)	-	8,230	(56,209)	(6,527)
Revenue bonds payable-net	10,950,561	-	(461,770)	10,488,791	468,473
Long-term liabilities	$ 10,950,561	$ -	$ (461,770)	$ 10,488,791	$ 468,473

NOTE 6 - WATER CONTRACTS

The Commission entered into a contract with the U. S. Department of the Army Corps of Engineers in 1990 to use 1,056 acre-feet of storage space in J. Strom Thurmond Dam and Reservoir. As part of the contract, the Commission made a lump-sum payment of $ 301,243. Amortization of this payment will be provided over the remaining life of the project. For the years ended December 31, 2016 and 2015, amortization expense related to this project totaled $ 7,531 per year. In addition to the above cost, the Commission is required to pay 0.074 percent of the annual experienced joint-use operation and maintenance expense of the project. The Commission will also be required to pay 0.074 percent of the joint-use cost associated with major replacement and rehabilitation program costs. The additional costs associated with the contract totaled $ 1,609 and $ 1,411 for the years ended December 31, 2016 and 2015, respectively.

NOTE 7 - RETIREMENT PLAN

The Commission participates in the City of Thomson Retirement Plan (the “Plan”) which is affiliated with the Georgia Municipal Employees Benefit System (GMEBS). The Commission does not maintain its own account status with the GMEBS. The Commission’s net pension liability, deferred outflows and inflows related to pensions, and pension expense are based on the Commission’s proportionate share of its contributions to the Plan to total contributions of the City and Commission. For the year ended December 31, 2016, the Commission’s proportionate share was thirty-two percent (rounded).

Plan Description

The Plan is a defined benefit pension plan affiliated with the GMEBS, an agent multiple-employer pension plan administered by the Georgia Municipal Association (GMA). Contributions made by the City are pooled with contributions made by other members of GMEBS for investment purposes, and the City does not own any securities on its own. There are no employer or related party securities or loans included in plan assets. The GMA issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to Georgia Municipal Association, The Burgess Building, 201 Pryor Street, SW, Atlanta, GA 30303, or by calling (404) 688-0472.

The City established the Plan January 1, 1972 through an agreement adopting the GMEBS Master Plan and Joint Trust Agreement (the “Adoption Agreement”). The Adoption Agreement establishes the types of benefits available under the Plan and the City’s obligation to contribute to the Plan. The City has the right to amend any or all elections in the Adoption Agreement. The amendment must be approved by GMEBS, cannot reduce any previously accrued benefits of the participants or beneficiaries, cannot authorize or permit any part of the Trust Fund to be diverted to any purpose other than for the exclusive benefit of participants and their beneficiaries, and cannot deprive any participant or beneficiary of any rights or benefits irrevocably vested under the Plan.

(Continued)

NOTE 7 - RETIREMENT PLAN (Continued)

GMEBS can amend the Master Plan or the elective provisions of the Adoption Agreement in its sole discretion as Trustee of the Plan. Any amendment by GMEBS must be approved by the City as the adopting employer. The City cannot amend the Master Plan or the Joint Trust Agreement.

Benefits Provided

As provided by State law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by City Council, the Plan provides pension benefits and death and disability benefits for plan members and beneficiaries. All full-time employees of the City and the Commission, excluding elected officials, working at least twenty hours per week, are eligible to participate immediately. Benefits are fully vested after ten years of service. Normal retirement age is 65 with a minimum of five years of service, and early retirement is age 55 with a minimum of ten years total credited service. Monthly benefits are based on (a) the average annual earnings paid to a participant during any consecutive five year period preceding actual date of retirement in which the earnings were highest and (b) total years of service.

As of July 1, 2016, the last valuation date, there were 201 participants consisting of the following:

Retired participants and beneficiaries currently receiving benefits	59
Terminated vested participants entitled to but not yet receiving benefits	51
Active participants-vested	57
Active participants-not vested	34
Total number of participants	201

Contributions

The Plan is subject to minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). GMEBS has adopted an actuarial funding policy that requires a different funding level than the estimated minimum annual contribution to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the Plan. If the City contributes the recommended contribution developed under the actuarial funding policy each year, the Plan will meet applicable State funding standards. Employees do not contribute to the Plan.

For 2016, the Commission's contribution to the Plan totaled $ 107,574, or 10.33% of covered-employee payroll. This contribution was equal to the recommended annual contribution determined as part of the July 1, 2015 actuarial valuation.

Net Pension Liability

Effective January 1, 2015, the Commission implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No.* 68, which significantly changed the Commission's accounting for pension amounts. The information disclosed below is presented in accordance with these new standards.

The Commission's net pension liability was measured as of March 31, 2016.

(Continued)

NOTE 7 - RETIREMENT PLAN (Continued)

Actuarial Assumptions. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Net investment rate of return	7.75%, on going basis, based on long-term expected rate of return on pension plan investments
Projected salary increases	3.25%, plus service based merit increases
Inflation	3.25%
Cost of living adjustments	0.00%

The mortality and economic actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014.

Mortality rates for the July 1, 2016 valuation were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equity	45.00%	6.75%
International equity	20.00%	7.45%
Real estate	10.00%	4.55%
Global fixed income	5.00%	3.30%
Domestic fixed income	20.00%	1.75%
Cash	0.00%	0.00%
Total	100.00%	

* Rates shown are net of the 3.25% assumed rate of inflation

Discount Rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed the Commission contributions will be made at rates equal to the actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

(Continued)

NOTE 7 - RETIREMENT PLAN (Continued)

Changes in the Net Pension Liability of the Commission. The changes in the components of the net pension liability of the Commission for the year ended December 31, 2016 were as follows:

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a) - (b)
Balances at March 31, 2015*	$ 2,815,635	$ 2,230,176	$ 585,459
Changes for the year:			
Service cost	53,277	-	53,277
Interest	208,328	-	208,328
Differences between expected and actual experience	(29,684)	-	(29,684)
Contributions-employer	-	112,542	(112,542)
Contributions-employee	-	-	-
Net investment income	-	6,160	(6,160)
Benefit payments, including refunds of employee contributions	(150,916)	(150,916)	-
Administrative expense	-	(5,378)	5,378
Other	25,569	-	25,569
Net changes	106,574	(37,592)	144,166
Balances at March 31, 2016	$ 2,922,209	$ 2,192,584	$ 729,625

The required schedule of changes in the Commission's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following table presents the net pension liability of the Commission, calculated using the discount rate of 7.75 percent, as well as what the Commission's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Commission's Net Pension Liability	$ 1,077,967	$ 729,625	$ 435,224

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of March 31, 2016 and the current sharing pattern of costs between employer and employee.

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued GMEBS financial report.

(Continued)

NOTE 7 - RETIREMENT PLAN (Continued)

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

For the year ended December 31, 2016, the Commission recognized pension expense of $ 133,213. The Commission reported the following deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2016:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to the measurement date	$ 78,199	$ -
Difference between expected and actual experience	-	38,743
Changes of assumptions	-	9,268
Net difference between projected and actual earnings on pension plan investments	104,961	-
Total	$ 183,160	$ 48,011

Contributions made subsequent to the measurement date totaling $ 78,199 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ending December 31,				
	2017	2018	2019	2020	Total
Fiscal Year Outflows					
Investment	$ 24,202	$ 24,202	$ 24,201	$ 32,356	$ 104,961
Total	$ 24,202	$ 24,202	$ 24,201	$ 32,356	$ 104,961
Fiscal Year Inflows					
Demographic	$ 12,914	$ 12,914	$ 12,915	$ -	$ 38,743
Assumption change	3,089	3,089	3,090	-	9,268
Total	$ 16,003	$ 16,003	$ 16,005	$ -	$ 48,011

Changes in Methods and Assumptions

There were no changes in methods or assumptions from the prior valuation.

Benefit Changes

Effective February 12, 2016, the Plan offered a one-time Early Retirement Incentive Program (ERIP) to eligible regular employees who as of January 1, 2016, had attained the age of 55 and had at least 28 years of total credited service with the City. The window to accept ERIP was open from February 12, 2016 to March 31, 2016 and allowed for a seven day revocation period.

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description, Contribution Information and Funding Policies

In addition to providing pension benefits, the Commission participates in a single-employer defined benefit healthcare plan (the "Retiree Health Plan") administered by the City. The Retiree Health Plan provides certain health and dental care benefits for certain retired employees as per a personnel policy adopted December 7, 1992 and affirmed by resolution of the Mayor and City Council on November 8, 2012. Substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the Commission. Benefit provisions are established and amended solely at the discretion of the elected City Council. The Retiree Health Plan does not issue a publicly available report.

Benefits are available to all employees who have attained the age sixty-two (62) while working for the City, and have a minimum of twenty-five (25) years of full time service upon retirement. Benefits continue in effect until the retirees reach the age of 65 at which time the retiree can convert to Medicare or any other plan as desired. The City funds 100% of the retirees' premium and the benefits are underwritten by the City's regular health care provider. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

The cost of these benefits is recognized as an expenditure on a pay-as-you-go basis. There was one retired employee that received benefits during 2016.

Annual OPEB costs and Net OPEB Obligation

The Commission's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC). The Commission has elected to calculate the ARC and related information using the alternative measurement method for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The Commission's annual OPEB costs and the net OPEB obligation for December 31, 2016 and 2015 was as follows (information prior to 2009 is not available since the actuarial valuation was first performed as of December 31, 2008):

	2016	2015
Employer normal costs	$ 41,984	$ 41,984
Amortization of UAAL*	18,448	18,448
Annual required contribution (ARC)	60,432	60,432
Interest on net obligation	1,003	790
Annual OPEB costs	61,435	61,222
Contributions made	(5,130)	(14,155)
	56,305	47,067
Net OPEB obligation-beginning of year	286,538	239,471
Net OPEB obligation-end of year	$ 342,843	$ 286,538

* Unfunded actuarial accrued liabilities (UAAL) were amortized over 30 years.

(Continued)

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2014	$ 57,262	47.42%	$ 239,471
2015	$ 61,222	23.12%	$ 286,538
2016	$ 61,435	8.35%	$ 342,843

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2016 and 2015 was as follows:

	2016	2015
Actuarial accrued liability	$ 522,630	$ 522,630
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability	$ 522,630	$ 522,630
Funded ratio	0.00%	0.00%
Covered payroll	$ 909,953	$ 888,077
Unfunded actuarial accrued liability as a percentage of covered payroll	57.43%	58.85%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events well into the future. Examples would include assumptions about future employment, rates of retirement, mortality, and health care cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The Schedule of Funding Progress - Other Post-Employment Benefits Plan, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

In the actuarial valuation, the projected unit credit cost method was used. The UAAL amortization payment is the level percent of payroll required to fully amortize the UAAL over a 30 year closed period. The actuarial assumptions included 0.350% rate of investment return. The valuation assumes a 9.667% health care trend inflation rate for 2016 and decreases 0.333% each year until 2017, then 0.005% decrease in 2018, and thereafter a 5.000% rate was assumed.

NOTE 9 - RISK MANAGEMENT

The Commission is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to minimize the total cost of workman's compensation and property and liability insurance, the Commission is a member of Georgia Interlocal Risk Management Agency Fund (GIRMA), and the Georgia Municipal Association (GMA) Self-insured Workman's Compensation Fund. The Commission pays an annual premium to these Funds through GIRMA and GMA. The Commission retains the first $ 1,000 of each risk of loss in the form of a deductible. All claims are filed with GIRMA and GMA who bills the Commission for any risk of loss up to the deductible amount.

As part of their agreement, the Commission must assist and cooperate in the defense and settlement of claims against the Commission. The Commission must furnish full cooperation with GIRMA's and GMA's attorneys, claims adjusters, and any agent or independent contractor of GIRMA and GMA. In addition, the Commission must report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in GIRMA and GMA or any Fund established by GIRMA and GMA being required to pay a claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection of a Fund or Funds in which the Commission participates. The Commission is required to use due diligence to avoid or diminish any loss covered under the agreement.

As a condition of coverage, GIRMA and GMA can request that the Commission assist in effecting settlements, securing and giving evidence, obtaining witnesses in the conduct of suits, and providing of written statements for the purposes of investigation, defense, and mitigation of claims. GIRMA and GMA are responsible for payment of all claims covered under the agreement. The maximum liability for any one occurrence or claim is the maximum limit of liability as specified in the policies less the amount of stated deductibles.

For those risks covered by insurance, claims did not exceed coverage during the past three years.

NOTE 10 - CONTINGENT LIABILITIES

Federal and State Grants

The Commission receives federal and state financial assistance through various grant programs that are passed through the City, County, and the Town. The grant programs are subject to audit by the granting agency to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Litigation

As of December 31, 2016, the Commission was not involved in any pending or threatened litigation.

NOTE 11 - COMMITMENTS/SUBSEQUENT EVENTS

On May 20, 2014, citizens of the County voted to extend the special purpose local option sales tax (SPLOST VI). The SPLOST VI referendum provides an additional $ 1,655,000 to be used for water sewer projects. Planned projects include additional improvements to the wastewater treatment plant totaling $ 1,175,000, grant matching funds for sewer main improvements totaling $ 250,000, and equipment purchases of $ 230,000. The County and City have prioritized the spending of SPLOST VI proceeds based upon the order of importance and need. Accordingly, it is not known when the funds committed for System improvements will be available.

In preparing these financial statements, the Commission’s management has evaluated events and transactions for potential recognition or disclosure through June 30, 2017, the date the financial statements were available for issuance.

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 7 above, the Commission implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No.* 27, as well as, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No.* 68, effective January 1, 2015. The new standards significantly changed the Commission's accounting for pension amounts. As a result of this change in accounting principle, the Commission was required to restate beginning net position as of January 1, 2015 for the following:

Net pension liability, beginning balance	$	(606,848)
Deferred outflows of resources related to pensions, beginning balance		95,429
Deferred inflows of resources related to pensions, beginning balance		(83,180)
Net effect on beginning net position	$	(594,599)

REQUIRED SUPPLEMENTARY INFORMATION

MCDUFFIE COUNTY/CITY OF THOMSON, GEORGIA
WATER AND SEWER COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
RETIREMENT PLAN

	2016	2015
Total Pension Liability		
Service cost	$ 53,277	$ 50,978
Interest	208,328	207,224
Differences between expected and actual experience	(29,684)	(27,298)
Changes of assumptions	25,569	(15,354)
Benefit payments, including refunds of employee contributions	(150,916)	(147,551)
Net change in total pension liability	106,574	67,999
Total pension liability, beginning	2,815,635	2,747,636
Total pension liability, ending (a)	2,922,209	2,815,635
Plan Fiduciary Net Position		
Contributions-employer	112,542	126,203
Net investment income	6,160	198,970
Benefit payments, including refunds of employee contributions	(150,916)	(147,551)
Administrative expenses	(5,378)	(5,054)
Net change in fiduciary net position	(37,592)	172,568
Plan fiduciary net position, beginning	2,230,176	2,057,608
Plan fiduciary net position, ending (b)	2,192,584	2,230,176
Net pension liability, ending (a)-(b)	$ 729,625	$ 585,459
Plan's fiduciary net position as a percentage of the total pension liability	74.96%	79.21%
Covered employee payroll during the measurement period	$ 1,041,512	$ 1,064,704
Net pension liability as a percentage of covered payroll	70.05%	54.99%

Notes to the Schedule:

(1) Historical information prior to the implementation of GASB Statement Nos. 67/68 is not required. The schedule will present 10 years of information as it is accumulated.

MCDUFFIE COUNTY/CITY OF THOMSON, GEORGIA
WATER AND SEWER COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
RETIREMENT PLAN

	2016	2015
Actuarially determined contribution	$ 107,574	$ 115,300
Contributions in relation to the actuarially determined contribution	107,574	115,878
Contribution deficiency (excess)	$ -	$ (578)
Covered employee payroll during the measurement period	$ 1,041,512	$ 1,064,704
Contributions as a percentage of covered employee payroll	10.33%	10.88%

Notes to the Schedule:

(1) Actuarial Assumptions:

Valuation Date	July 1, 2015
Cost Method	Projected Unit Credit
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted if necessary, to be within 20% of market value.
Assumed Rate of Return	7.75%
Projected Salary Increases	3.25%
Cost of Living Adjustments	0.00%
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Varies, with a net effective amortization period of 10 years

(2) The schedule will present 10 years of information as it is accumulated.

MCDUFFIE COUNTY/CITY OF THOMSON, GEORGIA
WATER AND SEWER COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFITS PLAN

Funded Status and Funding Progress

The funded status of the plan is as follows:

Valuation Date	Fiscal Year Ended	Actuarial Accrued Liability (AAL) (a)	Accrued Value of Plan Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)
2009	2009	$ 351,833	$ -	$ 351,833	0.00%	$ 861,892	40.82%
2009	2010	$ 351,833	$ -	$ 351,833	0.00%	$ 907,105	38.79%
2009	2011	$ 351,833	$ -	$ 351,833	0.00%	$ 866,368	40.61%
2012	2012	$ 491,806	$ -	$ 491,806	0.00%	$ 858,206	57.31%
2012	2013	$ 491,806	$ -	$ 491,806	0.00%	$ 946,209	51.98%
2012	2014	$ 491,806	$ -	$ 491,806	0.00%	$ 884,617	55.60%
2015	2015	$ 522,630	$ -	$ 522,630	0.00%	$ 888,077	58.85%
2015	2016	$ 522,630	$ -	$ 522,630	0.00%	$ 909,953	57.43%

See the notes to the financial statements for the actuarial methods and significant assumptions used to determine the funded status of the plan.

COMPLIANCE SECTION

elliott davis decosimo

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*

McDuffie County/City of Thomson, Georgia
Water and Sewer Commission
Thomson, 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 the McDuffie County/City of Thomson, Georgia Water and Sewer Commission (the "Commission"), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated June 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Columbia, South Carolina
June 30, 2017

MCDUFFIE COUNTY/CITY OF THOMSON, GEORGIA
WATER AND SEWER COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016

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?	_____	Yes	__X__	No
• Significant deficiency(ies) identified?	_____	Yes	__X__	None reported
Noncompliance material to financial statements noted?	_____	Yes	__X__	No
SECTION II. FINANCIAL STATEMENT FINDINGS	_____	Yes	__X__	None reported

MCDUFFIE COUNTY/CITY OF THOMSON, GEORGIA
WATER AND SEWER COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

ITEM 2015-001: BOND RATE COVENANT REQUIREMENT

***Condition*:** The Commission was not in compliance with its bond rate covenant requirement as of and for the year ended December 31, 2015. The bond rate covenant requires the Commission to maintain rates, fees, and charges to provide net revenues (revenue after payment of reasonable and necessary expenses of operating, maintaining, and repairing the System, but excluding depreciation, amortization, and interest expense) equal to 120% of its current debt service requirement.

Recommendation: We recommended that management reevaluate its water and sewer rates in order to be in compliance with the bond rate covenant requirement.

Current Status: The Commission approved a seven (7) percent rate increase in water and sewer rates effective March 2016 for each of the next four (4) years. Management also closely monitored expenses for 2016 in an effort to decrease operating costs. The implementation of the new rate structure and monitoring of expenses resulted in the Commission exceeding the bond rate covenant for 2016.