

A Component Unit of Henry County, GA

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2014

Comprehensive Annual Financial Report

Year Ended June 30, 2014

Henry County Water Authority - McDonough, Georgia

**Prepared by:
The Finance Department
Henry County Water Authority**

HENRY COUNTY WATER AUTHORITY
(A Component Unit of Henry County, Georgia)

COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2014

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(A Component Unit of Henry County, Georgia)

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Comprehensive Annual Financial Report

INTRODUCTORY SECTION

Henry County Water Authority - McDonough, Georgia



Henry County Water Authority

1695 Hwy 20, West, McDonough, GA 30253
www.hcwsa.com (770) 957-6659

December 2, 2014

Board of Directors, HCWSA
Customers of the Henry County Water Authority
And the Citizens of Henry County, Georgia

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Henry County Water and Sewerage Authority for the fiscal year ended June 30, 2014. This report is the responsibility of the management of the Henry County Water Authority (HCWA), and was prepared in accordance with Generally Accepted Accounting Principles and in conformance with current accounting and financial reporting requirements and principles promulgated by the Governmental Accounting Standards Board (GASB). To the best of our knowledge and belief, the enclosed financial data is accurate in all material respects and fairly presents the financial position, results of operations and cash flows of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

The Henry County Water Authority has established internal controls that we believe adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions and the preparation of financial statements and the accompanying information. Reasonable assurance infers that the cost of a control should not exceed the benefits likely to be derived from that control, and the evaluation of costs and benefits depends on judgments by management. HCWA is committed to evaluating and maintaining a strong system of internal controls.

The firm of Mauldin and Jenkins, LLC, Certified Public Accountants, conducted an independent audit on these financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. As a result of the audit, Mauldin and Jenkins issued an unmodified (clean) opinion on the financial statements of the Authority for the year ending June 30, 2014. The auditor's report is located at the front of the financial section of this report.

In accordance with Generally Accepted Accounting Principles, a narrative introduction, overview, and analysis accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The Authority's MD&A is located immediately following the report of the independent auditors.

Organization of the Comprehensive Annual Financial Report

It is anticipated that this Comprehensive Annual Financial Report (CAFR) may be read by a wide variety of people, and care has been taken to provide useful information, even to those who may not be familiar with the Authority. Toward that end, this report is presented in three major sections: Introductory, Financial and Statistical.

The introductory section is intended to familiarize the reader with the organizational structure of HCWA and the nature and scope of the services provided. This letter, together with a list of current HCWA board members and an organizational chart, following this letter comprise the introductory section.

The financial section includes the independent auditor's report on the basic financial statements, management's discussion and analysis (the "MD&A") of the Authority's overall financial position and results of operations, and the audited financial statements, including the accompanying note disclosures and required supplementary information.

The statistical section provides information regarding the Authority's economic condition and is divided into five sections: financial trends, revenue capacity, debt capacity, demographic and economic information, and other operating information.

Profile of HCWA

General

The Henry County Water Authority was founded in 1961 by an Act of the General Assembly of the State of Georgia, to "acquire, construct, and thereafter operate and maintain projects embracing sources of water supply and the distribution and sale of water and related facilities." The Act goes on to list the other duties of the Authority, including that to establish a sewer system (see the first paragraph under the section entitled "Other Relevant Information" concerning updated legislation enacted during the current fiscal year).

Thus, Henry County was able to begin the process of planning and constructing a water and sewerage system capable of accommodating the needs of local citizens, and protecting the watersheds in order to ensure clean sources of water for Henry County residents and businesses.

It was necessary for HCWA to purchase large tracts of land and develop its own reservoirs for source of water, as no available streams or lakes provided adequate supply. HCWA has developed five reservoirs, covering a combined total of 3,138 acres of water surface area, and holding approximately 18.1 billion gallons of water. With an average day finished water demand in Henry County of approximately 15.8 million gallons per day (MGD) during FY 2014, the reservoirs provide a 603 day supply of raw water after the downstream release requirement. This provides more than enough supply to weather an extended period of drought.

The reservoirs are at the south end of the County, and water is pumped significant distances across Henry County's 331 square miles. Over 1,400 miles of water mains have been constructed, making service available to most of the county, and serving over 56,000 customer water connections. Additionally, 29.5 million gallons of potable water can be stored in 9 elevated tanks, 4 ground water storage tanks plus the clear wells at the water plants.

The service area for HCWA is Henry County. A few customers in neighboring counties are also served, where subdivisions or drainage basins cross county lines. Henry County is located in the north central portion of the State of Georgia approximately 25 miles southeast of the City of Atlanta. Henry County is bordered on the north by DeKalb County, on the west by Clayton County, on the south by Spalding and Butts Counties, and on the east by Newton and Rockdale Counties. There are four municipalities within Henry County: Stockbridge, McDonough, Hampton, and Locust Grove. Each municipality operates its own water and sewerage system. However, HCWA does supply most of the water requirements needed by Stockbridge and Hampton and some of the water requirements for McDonough and Locust Grove.

All water meters are read on a monthly basis utilizing a radio read system. That is, an electronic device on each meter sends a signal identifying the meter and the current reading to a device in our meter reading truck as it drives past. Those readings are then electronically uploaded into our Customer Relationship Management (CRM) software and bills are generated based on the increase of the current reading over the previous reading (customer's consumption). Thus, readings can be gathered more quickly, actual readings are used for the bills (no estimates), and the possibility of manual error is greatly reduced if not eliminated. All water customers have water meters and are billed based on their consumption. Sewerage fees, for those customers who also have sewerage service, are based on water consumption.

The sewer system, while serving some of the higher density areas in the county, is not as extensive as the water system. HCWA currently serves over 19,000 customer sewer connections with approximately 445 miles of sewer mains, 30 sewerage lift stations and 3 waste water treatment plants. Currently, the Authority's total permitted sewerage treatment capacity is 10.75 MGD. The average flow to the Authority's wastewater treatment plants during FY2014 was 5.7 MGD.

Governance

HCWA is governed by a five member Board. Each Board member is appointed by the respective County Commissioner of his district, and serves a 2 year term plus any additional time until their successors are appointed and qualified. The Board holds regularly monthly meetings at the administrative offices of the Authority located in McDonough, GA. The daily operations of the Authority are the responsibility of the General Manager, who reports to the Board.

Accounting and Financial Reporting

The Authority operates as an enterprise fund. That is, the Authority is accounted for as a separate accounting entity with a self-balancing set of accounts. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, similar to accounting procedures used by private business. The accounting of the Authority complies with all pronouncements of the Governmental Accounting Standards Board. The Authority's Revenue Bond Resolutions also prescribe an accounting structure and practices, which the Authority adheres to. Please see Note # 1 in the 'Notes to Financial Statements' for further overview of the significant accounting policies used by the Authority. The Authority's financial information is included within the Henry County, Georgia financial statements as a discretely presented component unit.

Budgetary Controls

The Authority believes that budget preparation and implementation are important in maintaining fiscal responsibility and accountability, and it is a good business practice to conduct the budgetary process annually. Accordingly, an operating budget is prepared by management and approved by the HCWA Board on an annual basis. The purpose of the budget process is to authorize and control expenditures, evaluate projected revenue to determine the Authority's ability to meet its obligations under various bond covenants and to provide analysis for planning purposes.

Other Relevant Information

General

In April 2013, new legislation was signed into law, changing the Authority's name from 'Henry County Water and Sewerage Authority' to simply 'Henry County Water Authority'. The legislation more clearly defines and enhances the Authority's ability to provide water and sewer services to its current and future customer base and to protect natural resources and local water supply.

Throughout the year, both of the Authority's water treatment plants and all wastewater treatment plants in operation maintained 100% compliance with all Federal and State regulations and permit requirements. The water distribution system and the sewerage collection system were also 100% compliant with all regulations. The Authority's Industrial Monitoring Department required all commercial and industrial customers to meet the discharge requirements delimited in the Sewer Use Ordinance.

The Authority's Bear Creek Waste Water Treatment Plant won the Plant of the Year Award in its category from the Georgia Association of Water Professionals (GAWP). The Authority also received GAWP Platinum Awards for seven straight years of 100% permit compliance at both Tussahaw and Towaliga Water Treatment Plants, which have each received Plant of the Year Awards on two separate occasions in the recent past. Additionally, the

Authority is one of only 26 Water Utilities in Georgia to achieve the 'WaterFirst Community' designation from the Georgia Department of Community Affairs.

The Authority maintains an aggressive preventive maintenance program for all water plants, storage tanks, booster pump stations, water transmission, distribution and service lines, wastewater treatment plants, lift stations, sewerage gravity lines and force mains, reservoirs, dams, spillways, and other reservoir appurtenances. The Authority vigilantly monitors and maintains erosion control at reservoirs, land application sprayfields, and water and wastewater construction sites.

Current Economic Environment

Rapid growth had been the hallmark of Henry County for three decades leading up to 2007. It took just 5 years, from 1980 till 1985 for the Authority's customer base to double to 6,287. Six years later in 1991, the customer base had doubled again to 12,623, and just seven years after that in 1998, the customer count had doubled again to 25,788. Nine years later in 2007, the customer base had doubled yet again to 53,211. The Authority was on a very fast track to build facilities to keep pace with this explosive growth. Then, in 2007, the rate of customer growth began to slow. Whereas prior the 2007 a 10% annual growth rate was common, in recent years the growth rate has been around 1%. The growth rate for 2014 of 1.7% is the highest since 2007.

National Economic Downturn - Prior to the national economic downturn, Henry County was one of the fastest growing counties in the United States. And as you would expect in a rapidly growing county, one of Henry County's biggest economic engines was the housing industry. The Authority typically set more than 3,000 meters at newly constructed homes annually. During our fiscal year ending June 30, 2007, the economic downturn became evident in Henry County, and there was a dramatic decrease in new meter sets in that year and in the years following. At the low point, only 259 new meters were set in 2010 and another 259 in 2011. FY 2012 saw a slight uptick with 282 new meters. New meter sets continued to trend upward in FY 2013 with 468 new meter sets. FY 2014 shows even more promise of recovery with 709 new meter sets.

Water Conservation – This concept is a major factor in the political, regulatory and financial environment that we, as a public water provider, are currently in. This is a large part of the reason why average daily water production numbers have not increased in 7 years. Since 2006, water production has essentially remained at approximately 16.5 mgd (million gallons per day), except for the last two fiscal years when the number actually decreased to 15.6 and 15.8 mgd, respectively. The concept of water conservation took hold in our State, and in particular in the metro Atlanta area, for a couple of reasons:

1. *Drought* - During the calendar years of 2007 and 2008, the northern half of the State of Georgia experienced drought conditions which prompted the State to enact water conservation measures, including outdoor water use restrictions, which all water providers in the affected area were required to follow. Operational issues at Lake Lanier seem to have played a key role in the State's decisions. The Henry County Water Authority enacted all conservation measures the State required, even though the drought of 2007 and 2008 did not impact Henry County to the same extent as it did those who depend on water supplies in the Chattahoochee basin. In fact, with our newly constructed Tussahaw Reservoir that was filling during this time, the Authority never had less than one year's supply of raw water available. The State realized that in order to deal with future drought conditions, conservation measures should be in place before a drought occurs, and thus has continued a modified program of permanent outdoor water use restrictions that we abide by today.
2. *Tri-State Water Dispute* - The States of Georgia, Florida and Alabama are currently engaged in an ongoing dispute over use of the water in Lakes Lanier and Allatoona, and the Chattahoochee River. These are the primary sources of drinking water for the metro Atlanta area. The State of Georgia realized the need to exercise good stewardship of these water resources and be able to demonstrate that they are doing so to our neighboring States. However, the Henry County Water Authority is not dependent on these water sources, as over 99% of the water supply of Henry County comes from reservoirs developed by the Authority in the southern part of Henry County. The Authority only purchases a small amount of water (less

than 1%) from neighboring DeKalb County (DeKalb draws water from the Chattahoochee River) to serve a small high elevation area in the north part of Henry County. Nonetheless, Henry County is part of the metro Atlanta area and is thus included in water conservation regulations.

Because of the economic downturn and water conservation, our long range projections for water and sewer revenue, as well as developmental impact fees and connection fees were revised downward to reflect our best estimate of future growth and consumption. Although water conservation can foster some long range benefits, such as delaying the need to develop the next expensive water supply source, water providers are faced with challenges as revenue from water sales are less than original projections.

Outlook

In the years leading up to 2007, the Authority was constructing system improvements and setting new meters as fast as possible to keep up with the rampant pace of growth. Then, beginning in 2007 the Authority began revising plans and projections downward and putting austerity measures in place as a result of the economic downturn. In 2013, we began to see some indications that the severity of the economic downturn is easing. More new meters were set, vacant home inventory decreased, and foreclosures and bankruptcies decreased. This positive trend continued (in fact accelerated moderately) during the current fiscal year. Property tax digest values increased slightly in FY 14 after four years of decline, and are expected to increase by more than 10% during FY 2015.

It is still too early to project that the recession is over and that we are now entering into a time of moderate growth. However, the Authority must be ready to accommodate continued moderate growth or withstand further economic depressed conditions, whichever occurs. Fortunately, the Authority's cash flow position is positive, bad debt write-offs are negligible, staffing levels are adequate, most of our facilities are in good to excellent condition and have excess capacity to meet additional demand, and there does not appear to be a need to add additional debt in the future. In short, the Authority is in as good a position as possible to respond to any economic condition.

Henry County has vast amounts of undeveloped land, is very favorably located just south of Atlanta and the Atlanta Airport, has seven exits on Interstate I-75, has adequate water supplies, can boast of a good school system, has been able to make numerous improvements using special purpose local option tax, enjoys a mild climate, and is well known among the State's best developers. The challenge for the Authority is to have water and sewerage infrastructure in place just in time to meet increased demand, but not too soon thus adding additional debt service and operational costs to the budget before the additional demand is there to pay for it. Since some facilities can take multiple years to plan and construct, projecting the timing of increased demand on our water and sewerage system is of critical importance, even though difficult to predict.

Long Term Financial Considerations

During FY 2013 the Authority issued two new revenue bonds, series 2012A and 2013, for the sole purpose of refinancing existing debt. Since 2005, inclusive of the two refinancings done this year, the Authority has achieved over \$20 million gross savings (\$15 million in net present value savings), as show in the table below:

<u>Issue</u>	<u>Par Amount</u>	<u>Final Maturity</u>	<u>Gross Savings</u>	<u>NPV Savings</u>	<u>PV%</u>
2005	\$ 51,485,000	2030	\$ 6,548,569	\$ 4,674,204	8.93 %
2007	33,505,000	2026	2,626,622	1,801,045	5.36
2010	29,785,000	2026	2,252,186	1,333,623	4.00
2012	17,950,000	2030	3,469,109	2,483,743	13.34
2012A	17,465,000	2018	1,629,766	1,584,359	8.80
2013	70,100,000	2028	3,639,617	3,128,107	4.49
	<u>\$220,290,000</u>		<u>\$ 20,165,869</u>	<u>\$ 15,005,081</u>	

It appears that all revenue bonds and Georgia Environmental Finance Authority (GEFA) loans that were candidates for refinancing have, in fact been refinanced. No further refinancing or restructuring of our debt is anticipated at this time.

Major Initiatives

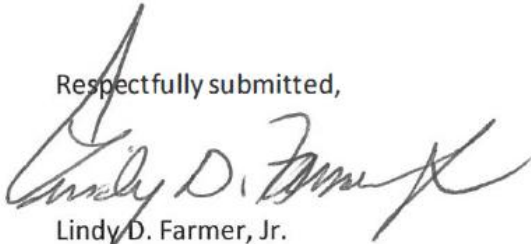
The Authority revised its long term capital improvement plan during the previous fiscal year, reflecting continuation of an anticipated slower pace of development. The Plan lists projects totaling more than \$537 million (not adjusted for inflation), through the year 2035. Authority staff carefully evaluate on-going and up-coming projects on a monthly basis. The Authority has adjusted the timing of many projects in the capital improvement plan in an effort to match them with anticipated growth in the customer base that would create the need for the project. The Authority has a history of excellent planning and successfully executing those plans. As a result, adequate facilities are in place to meet the drinking water and waste water treatment needs of Henry County.

One of the Authority's four wastewater treatment plants, Springdale WWTP, was taken out of service during FY 2013 in order to evaluate the condition of this older Plant and determine whether to rehabilitate part or all of it for continued operations, or to decommission it. During FY 2014, the Authority decided to decommission the Springdale WWTP. The flow that was going to Springdale was diverted to the Walnut Creek WWTP.

Acknowledgements

We express our thanks to the management of each department of the Authority, all of whom have adhered to sound practices to assure that transactions are properly accounted for. Thanks should also be expressed to the staff of the Finance Department for their commitment and dedication to the financial integrity of the Authority that makes this report possible. Finally, a great deal of thanks is due to the Board of the Authority, who diligently consider all aspects of each issue brought before them, keeping the best interest of the citizens of Henry County foremost in mind, and never losing sight of the 'big picture' when making decisions. Their support has been and continues to be of paramount importance to financial integrity of the Authority.

Respectfully submitted,



Lindy D. Farmer, Jr.
General Manager



Roderick Burch, CPA
Finance Director

Henry County Water Authority Listing of Principal Officers

HCWSA Board Members



Jimmy Carter



Rick Jeffares



Carlotta Harell



Harold Jenkins



Mike Barr

General Manager

Lindy D. Farmer, Jr., General Manager

Kimberly Turner Osborne, Clerk

Management Team

Tony Carnell - Deputy General Manager

Roderick Burch - Chief Financial Officer, Division Manager of Administration

Pat Hembree - Division Manager of Water Production & Water Pollution Control

Scott Harrison - Division Manager of Distribution and Collection Systems

Scott Sage - Division Manager of Engineering and Inspections

Vicky Hyatt - Manager, Finance

Allan Branan - Manager, Inspections

Allen Rape - Manager, GIS

Dan Newcombe – Director of Information Technology

Rhonda Gonzalez - Manager, Customer Service

David Hood - Manager, Purchasing & Inventory

Eric Osborne - Manager, Water Production

Jason Jeffares - Manager, Water Pollution Control

Jim Brinkman - Manager, Sewer Line Maintenance and Repairs

Ray Sanders – Manager of Water and Sewer Operations Maintenance

Chuck McCarter - Manager, Reservoirs & Land Management

Lesa Walker - Manager, Operations

Consultants and Professional Services

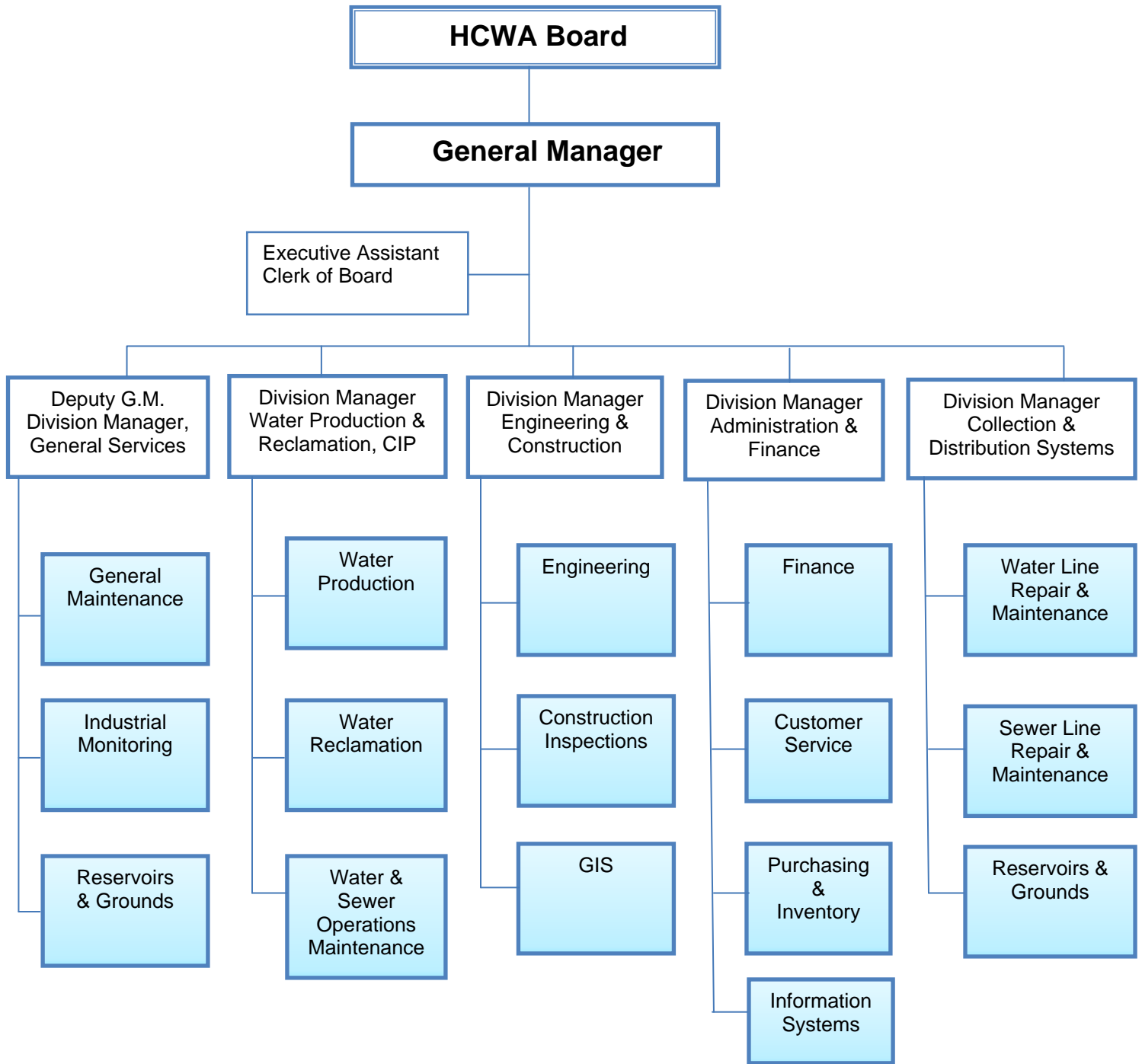
Legal Counsel:

Smith, Welch, Webb & White, McDonough, Georgia

Auditors:

Mauldin & Jenkins, LLC, Macon, Georgia

Henry County Water Authority Organizational Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Henry County Water Authority
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Comprehensive Annual Financial Report

FINANCIAL SECTION

Henry County Water Authority - McDonough, Georgia



INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of the
Henry County Water Authority
McDonough, Georgia**

Report on the Financial Statements

We have audited the accompanying financial statements of the **Henry County Water Authority** (the "Authority"), a component unit of Henry County, Georgia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Henry County Water Authority, a component unit of Henry County, Georgia, as of June 30, 2014, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2013. Our opinion is not modified with respect to this matter.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 11) and the Schedules of Funding Progress on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
December 2, 2014

HENRY COUNTY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Henry County Water Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the financial statements.

Proprietary Fund Accounting and Reporting

The Authority operates as a single fund in a business-like manner. Thus, the Authority uses the accrual approach to account for and report financial transactions. This means that revenues are recognized as soon as they are earned and expenses are recognized as soon as the liability is incurred, regardless of the timing of related cash inflows and outflows. All assets and liabilities that are measurable and probable are included in the financial statements. The full acquisition costs of all capital assets are included in the Statement of Net Position and are depreciated over their estimated useful life. Consequently, the Authority's accounting practices generally resemble a commercial entity's approach.

Overview of the Financial Statements

Net Position: The following table reflects the overall financial condition of the Authority as of the last two fiscal years. Current plus restricted assets increased from the prior year by \$8.7 million. Capital assets decreased, primarily because the increase in accumulated depreciation of \$21 million and the retirement of capital assets, most notably, the decommissioning of the Springdale Wastewater Treatment Plant (net book value of \$12.8 million) were greater than additions to capital assets. Other long term assets decreased as a result of implementing GASB Statement No. 65 concerning debt issuance costs, explained further in footnote 9 of this report. Deferred refunding charges previously netted against long term debt are now shown as a separate line in the Statement of Net Position.

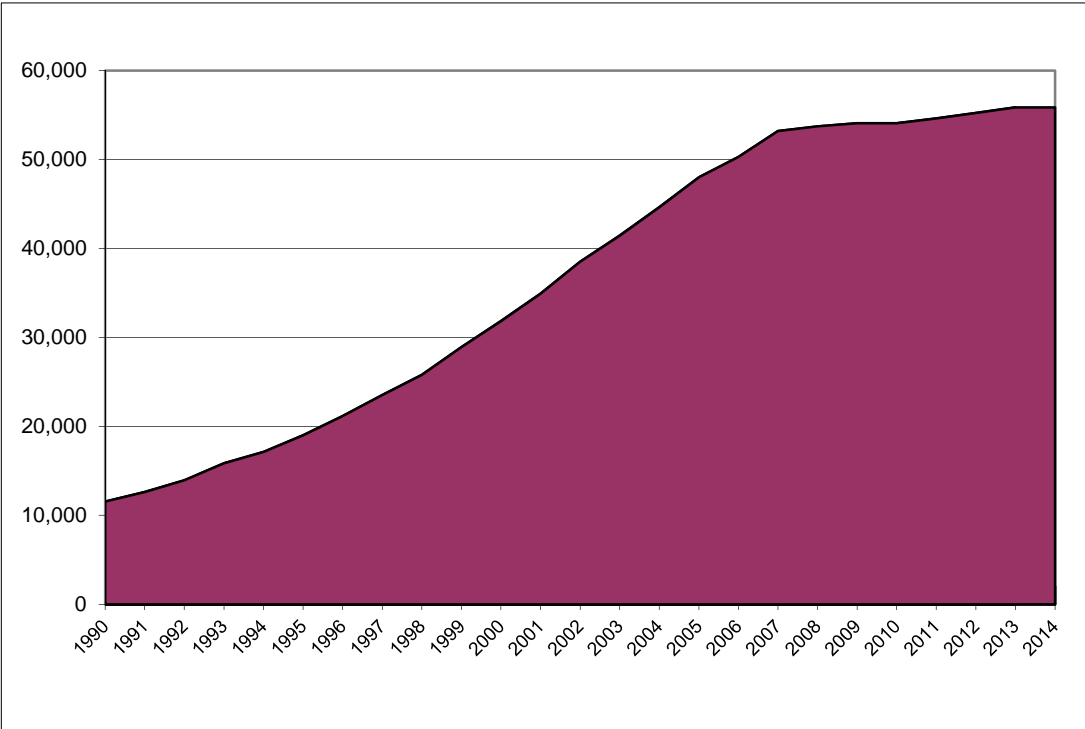
No additional debt was issued during the year and the reduction in long term liabilities primarily reflects payments made on existing revenue bonds and long term GEFA loans.

	<u>2014</u>	<u>2013</u>
Current assets	\$ 8,747,797	\$ 10,284,517
Restricted assets	80,997,730	70,777,516
Capital assets	395,595,928	426,034,455
Other long-term assets	5,856,003	7,775,866
Total assets	<u>491,197,458</u>	<u>514,872,354</u>
Deferred refunding charges	6,488,060	-
Total deferred outflows of resources	<u>6,488,060</u>	-
Current liabilities	21,515,378	20,144,979
Long-term liabilities	245,902,130	255,004,351
Total liabilities	<u>267,417,508</u>	<u>275,149,330</u>
Net investment in capital assets	163,916,454	200,409,094
Restricted for debt service	56,308,020	31,472,197
Unrestricted	10,043,536	7,841,733
Total net position	<u>\$ 230,268,010</u>	<u>\$ 239,723,024</u>

MANAGEMENT’S DISCUSSION AND ANALYSIS

Financial Statements (Continued)

The expansion of the Authority’s water and sewer infrastructure has been driven by the explosive rate of growth in population in Henry County. The graph below shows the number of Authority water customers from 1990 to 2013. The pace of the increase has leveled off substantially beginning in 2007. During the seven year period since FY 2007, the Authority has added just 3,604 new customers to the system, compared to adding 21,378 new customers during the seven year period leading up to FY 2007.



The Authority carries a significant amount of debt relative to net position. This was necessary in order to construct system improvements needed for the pre-2008 rapidly increasing customer base. The number of water customer connections to the Authority’s system has increased from 11,557 in 1990 to 56,815 in 2014. Large tracks of developable land, formerly farmland, located along Interstate 75 (with 7 exits in Henry County) just south of Atlanta and the Atlanta airport were, no doubt, among the factors contributing to the growth of the county.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements (Continued)

Revenues, Expenses and Changes in Net Position: The following table illustrates the history of revenues, expenses and changes in net position for the past two years.

	2014	2013
Operating revenues:		
Water revenues	\$ 33,706,604	\$ 32,761,539
Sewerage revenue	12,686,632	11,752,238
Connection fees	294,935	191,927
Other fees and charges	1,801,610	1,675,684
Total operating revenues	48,489,781	46,381,388
Operating expenses:		
Water treatment	4,619,218	4,236,560
Water purchase	169,601	133,837
Customer service and connection	3,181,745	2,851,222
Waste water treatment	4,694,587	4,527,492
Repairs and maintenance	9,545,281	9,467,367
Administrative and engineering	4,987,815	4,910,456
Depreciation	31,074,795	27,129,579
Information technology	1,324,387	1,329,578
Total operating expenses	59,597,429	54,586,091
Operating loss	(11,107,648)	(8,204,703)
Non-operating revenues (expenses):		
Real property taxes	9,386,971	9,296,221
Motor vehicle and other taxes	1,295,644	1,326,845
Interest income	29,962	70,592
Interest expense and fiscal charges	(9,091,132)	(10,132,661)
Gain on disposal of capital assts	(4,412,768)	6,770
Total non-operating revenues, net	(2,791,323)	567,767
Loss before contributions	(13,898,971)	(7,636,936)
Capital contributions	4,443,957	1,220,653
Change in net position	(9,455,014)	(6,416,283)
Total net position, beginning, as restated	239,723,024	246,139,307
Total net position, ending	\$ 230,268,010	\$ 239,723,024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements (Continued)

Water revenues – A 5% rate increase in November 2013 contributed to the 2.9% increase in water revenue during the fiscal year. The average daily flow (water demand) for FY 2014 was 1.3% more than the previous year – 15.8 million gallons per day (mgd) in FY 2014 compared to 15.6 mgd for the previous year. The Authority has a three tiered inclining block rate structure. Total system wide revenue will fluctuate from year to year depending on customer consumption patterns which determine the tiers that water is billed on. All water is metered and sold at a monthly base charge plus a usage rate per thousand gallons. The residential rates in place at June 30, 2014, are:

\$12.39 per month base charge (household size meter)
\$4.68 per thousand gallons for the first 6,000 gallons
\$6.37 per thousand gallons for the next 4,000 gallons
\$9.31 per thousand gallons for all usage above 10,000 gallons.

Sewerage charges are based on metered water usage. Rates for FY 2014 were 5% higher than the previous year. Sewerage is not charged for irrigation meters. The residential rates in place at June 30, 2014, are:

\$12.39 per month base charge
\$4.68 per thousand gallons for the first 6,000 gallons
\$6.37 per thousand gallons for all usage above 10,000 gallons

Approximately 36% of the Authority's water customers are also sewer customers. However, this percentage is growing as Henry County transforms to a more urbanized county, and most new subdivisions and commercial developments require public sewer.

Connection fees - A connection fee, approximating the cost of the water meter equipment, is required for all new connections onto the system. The current charge for a standard ¾ inch meter is \$240 (the charge is more for larger meters). In addition, if the Authority is required to tap into the water main and run the service line to the meter, the Authority charges a fee to recover the cost for doing so. Connection fees have risen for three consecutive years from a low of \$104,000 in FY 2011.

Other fees and charges - This line item includes a 10% fee for late payments made by customers, which totaled \$693,000 in FY 2014. A \$50 fee is also required to restore service to customers who have had their water service cut off for non-payment. During the year, approximately \$519,000 was collected for that. Bad check fees, damage and tampering fees, plan review fees, fishing permits and various other fees, are also credited to this line.

Water treatment & water purchase - This is the cost to operate the Authority's two water treatment plants, having a permitted capacity totaling 37 million gallons per day (mgd), plus nine elevated water storage tanks, four ground storage tanks and booster pump stations. Actual water production during FY 2014 averaged 15.8 million gallons per day (mgd), compared to 15.6 mgd the previous year. In addition to its finished water production capability, contracts with neighboring Clayton and DeKalb counties enable the Authority to purchase finished water on an as needed basis. In fiscal year 2014, the Authority produced more than 99% of its total water requirements and purchased less than 1%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements (Continued)

The water treatment line for FY 2014 is 9% more than the previous year. Increases in repairs and maintenance accounted for more than a third of this increase as the Authority began making some needed improvements to the older Towaliga WTP. Increases to salaries and benefits accounted for a little less than another third of the overall increase. Increases in the Electricity, supplies and other line items made up the rest of the difference.

Customer Service and Connection - This is the cost of the Customer Service Department including the field Service technicians. All meters are read electronically (radio read) each month and customers receive a monthly statement based on that reading. Meter electronics (the device in each meter box that transmits the read) accounted for more than half of the increase in the Customer Service and Connections line in FY 2014 over the previous year. Increased residential and commercial construction necessitated the need to set more transmitters.

Wastewater treatment – Three wastewater treatment plants (WWTP) continued in operation at year end. A fourth Plant, Springdale WWTP, was decommissioned during the year. The expansion of Walnut Creek WWTP (largest of the three) made the older Springdale WWTP (which was upstream of Walnut Creek WWTP) unnecessary. The three plants together treated an average of 5.7 million gallons per day (mgd) of sewerage during FY 2014, increased somewhat from the 5.4 mgd from the previous year.

Repairs and maintenance - This is comprised of the following:

	2014	2013	Difference
Purchasing and inventory	\$ 547,870	\$ 511,192	\$ 36,678
Vehicle maintenance	753,540	727,773	25,767
Security & maintenance	540,569	416,464	124,105
Sewer line repair & maintenance	3,686,027	3,646,839	39,188
Industrial monitoring	321,645	534,262	(212,617)
Reservoir and grounds	916,455	823,153	93,302
Water line repair & maintenance	2,779,175	2,807,684	(28,509)
Total	\$ 9,545,281	\$ 9,467,367	\$ 77,914

Administration and Engineering - This line item includes Administration, Finance, Human Resources, Engineering, Inspections, Geographic Information Systems (GIS) and property & liability insurance.

Depreciation – This is, by far, the Authority's single largest expense line item, accounting for 52% of the total operating expenses. The Authority owns over \$665 million in capital assets that are subject to annual depreciation. Straight line depreciation is used over the life expectancy of the assets which range from three to 50 years.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements (Continued)

Real property taxes – The Authority receives a two-mill tax levy on all taxable property within the boundaries of Henry County. The Joint Resolutions of Henry County and the Authority to issue Revenue Bonds contains a covenant to levy the two-mill tax until all Revenue Bonds are paid in full, or provision is made therefore. The final maturity on currently outstanding Revenue Bonds is Feb 1, 2030. Henry County experienced substantial increases in the tax digest from year to year leading up through FY 2009. However, the tax digest decreased each fiscal year beginning with FY 2010 through FY 2013, reflecting lower property valuations. This downward trend appears to be reversing however, as the net tax digest for FY 2014 increased by 1% over the previous year.

Motor vehicle and other taxes - These taxes, like real property taxes, are part of the two-mill tax levy that is required to be collected by the Joint Revenue Bond Resolution mentioned above.

Interest Income - Funds are invested as permitted in accordance with Georgia Code Section 36-80-3. Bank charges of \$75,938 are netted on this line against interest earnings of \$105,900.

Interest expense and fiscal charges:

	2014	2013
Revenue bond interest expense	\$ 7,698,684	\$ 6,683,386
GEFA interest expense	1,637,956	3,461,052
Amortization of issuance costs	(249,798)	(14,917)
Fiscal agent fees	4,290	3,140
Total	\$ 9,091,132	\$ 10,132,661

Loss on disposal of property and equipment consists of: the decommissioning of Springdale WWTP in the amount of \$3,454,146; site previously used for a small WWTP (Simpsons Mill) reverted back to Developer per contract - \$642,400; decommissioning of sewerage lift stations - \$288,890; other - \$27,332.

Capital Contributions consist of the items listed in the table on the following page. The Authority assesses Impact Fees designed to recover a fair proportionate share of the costs of system improvements needed to serve new growth and development. Anyone subscribing for initial use of water service pays \$700 per equivalent dwelling unit (EDU), and anyone initially connecting onto the sewer system pays \$2,700 per EDU. The Authority defines one EDU to be 300 gallons per household per day. Impact fees are only expended for qualifying system improvements and to make debt service payments on such improvements.

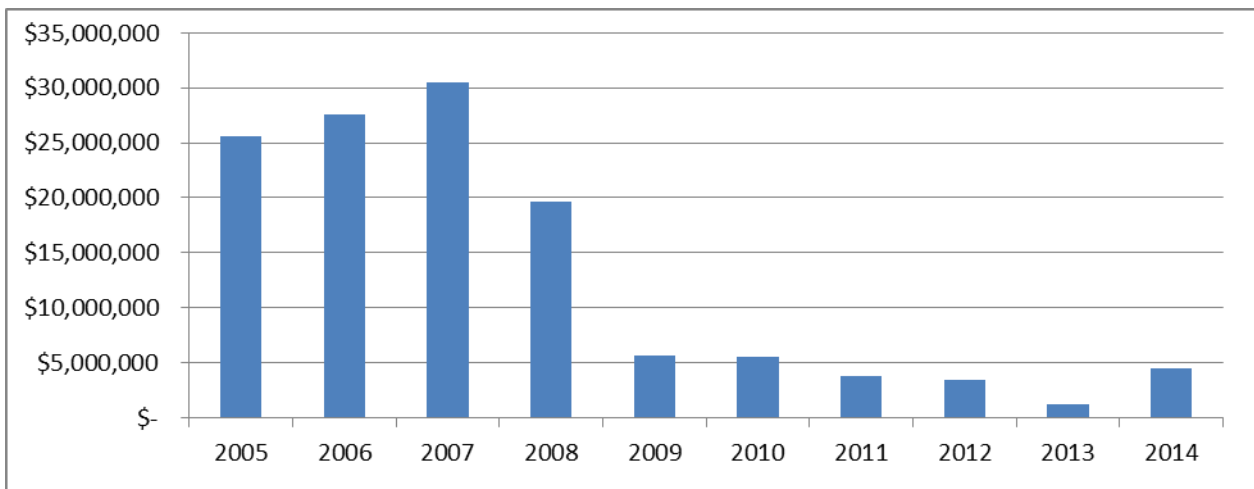
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements (Continued)

Contributions for project costs are paid to the Authority to cover the expense of improvements made to serve specific developments. Contributions in kind represent the value of assets deeded over to the Authority by developers.

	2014	2013
Impact fees	\$ 2,788,161	\$ 1,516,803
Contributions for project costs	1,655,796	136,210
Contributions in kind	-	(432,360)
Total	\$ 4,443,957	\$ 1,220,653

As the graph below shows, capital contributions in recent years have decreased significantly from a high point of \$30.5 million reached in 2007, reflecting a steep decline in the construction of new houses and commercial development. Contributions in FY 2014 increased from the previous year, reflecting an increase in new construction, after six years of continued decline.



Capital Asset and Debt Administration

Capital Assets: The Authority's investment in capital assets as of June 30, 2014 amounts to \$395,595,928 (net of accumulated depreciation). This investment in capital assets includes land and easements, five reservoirs, buildings, two water treatment plants, water storage tanks, wastewater treatment plants, system improvements, construction in progress, vehicles and equipment. The Authority added 2.5 miles of water main and .5 miles of sewerage main during FY 2014.

Additional information on the Authority's capital assets can be found in Note 4 of these financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration (Continued)

Debt Administration: As an Authority created by an act of the General Assembly of the State of Georgia, long-term borrowing by the Authority is provided through Revenue Bonds issued by the Authority and debt incurred to the Georgia Environmental Facilities Authority (GEFA).

No additional debt was incurred by the Authority during FY 2014. Principal payments of \$2,441,217 on GEFA loans and \$9,515,000 on Revenue Bonds were made in accordance with the debt service schedules.

The Authority's Aa2 rating from Moody's Investor Services was unchanged during the year. Additional information on the Authority's long term debt can be found in Note 5 of these financial statements.

Currently Known Conditions Affecting Future Operations

Revenue the Authority receives from real property taxes decreased in each of four consecutive years (FY 2010 through FY 2013) due to reduced values on the Henry County Tax Digest. The Authority received \$4.3 million less in real property taxes in FY 2013 than it did in FY 2009, the year before the Tax Digest began to fall. However, after four years of decline, real property taxes increased in FY 2014 over the previous year by 1%. Further, real property taxes due the Authority for the upcoming fiscal year, as reported by the Henry County Tax Commissioner's Office, is approximately 12% higher than FY 2014.

Further Information

This financial overview is designed to provide readers with a general overview of the Authority's finances, and to show accountability. If you have questions or would like further information about this financial report, you may contact the Finance Department of the Authority located at 1695 Highway 20 West, McDonough, Georgia 30253.

HENRY COUNTY WATER AUTHORITY

STATEMENT OF NET POSITION

JUNE 30, 2014

ASSETS	
CURRENT ASSETS	
Cash	\$ 1,596,513
Receivables, net of allowance for uncollectibles:	
Taxes	406,742
Interest	16,969
Accounts	6,016,553
Inventory	681,716
Prepaid expenses	29,304
Restricted assets:	
Cash	26,372,536
Investments	54,625,194
	<hr/>
Total current assets	89,745,527
	<hr/>
NON-CURRENT ASSETS	
Capital assets:	
Land	34,882,267
Buildings	16,187,335
Improvements other than buildings	628,974,209
Machinery and equipment	16,705,545
Vehicles	4,004,518
Construction in progress	3,013,188
	<hr/>
	703,767,062
Less accumulated depreciation	308,171,134
	<hr/>
Total capital assets, net of accumulated depreciation	395,595,928
	<hr/>
Other assets:	
Other non-current assets	5,856,003
	<hr/>
Total non-current assets	401,451,931
	<hr/>
Total assets	491,197,458
	<hr/>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred refunding charges	6,488,060
	<hr/>
Total deferred outflows of resources	6,488,060
	<hr/>

See Notes to Financial Statements.

LIABILITIES	
CURRENT LIABILITIES	
Payable from current assets:	
Accounts payable	\$ 647,594
Compensated absences payable	747,262
Accrued expenses and other liabilities	520,364
Customer deposits payable	2,946,309
Accrued interest payable	132,562
Notes payable - current	2,515,468
	<u>7,509,559</u>
Payable from restricted assets:	
Revenue bonds payable	10,875,000
Accrued interest payable	3,130,819
	<u>14,005,819</u>
Total current liabilities	<u>21,515,378</u>
LONG-TERM LIABILITIES	
Notes payable	50,954,357
Revenue bonds payable, net	188,760,978
Compensated absences payable	264,086
OPEB obligation	5,922,709
	<u>245,902,130</u>
Total long-term liabilities	<u>245,902,130</u>
Total liabilities	<u>267,417,508</u>
NET POSITION	
Net investment in capital assets	163,916,454
Restricted for debt service	56,308,020
Unrestricted	10,043,536
Total net position	<u>\$ 230,268,010</u>

HENRY COUNTY WATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FISCAL YEAR ENDED JUNE 30, 2014

Operating revenues:	
Charges for services:	
Water sales	\$ 33,706,604
Sewer sales	12,686,632
Connection fees	294,935
Other fees and charges	1,801,610
Total operating revenues	<u>48,489,781</u>
Operating expenses:	
Water treatment	4,619,218
Water purchase	169,601
Customer service and connection	3,181,745
Waste water treatment	4,694,587
Repairs and maintenance	9,545,281
Administrative and engineering	4,987,815
Depreciation	31,074,795
Information technology	1,324,387
Total operating expenses	<u>59,597,429</u>
Operating loss	<u>(11,107,648)</u>
Non-operating revenues (expenses):	
Real property taxes	9,386,971
Motor vehicle and other taxes	1,295,644
Interest income	29,962
Loss on disposal of capital assets	(4,412,768)
Interest expense and fiscal charges	(9,091,132)
Total non-operating revenues, net	<u>(2,791,323)</u>
Loss before contributions	(13,898,971)
Capital contributions	<u>4,443,957</u>
Change in net position	(9,455,014)
Total net position, beginning, as restated	<u>239,723,024</u>
Total net position, ending	<u><u>\$ 230,268,010</u></u>

See Notes to Financial Statements.

HENRY COUNTY WATER AUTHORITY

STATEMENT OF CASH FLOWS FISCAL YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 48,702,445
Payments to suppliers	(7,638,514)
Payments to employees	(20,941,506)
Net cash provided by operating activities	<u>20,122,425</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Taxes received	<u>10,734,980</u>
Net cash provided by noncapital financing activities	<u>10,734,980</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	(4,023,237)
Principal payments on long-term borrowings	(11,956,217)
Interest paid on long-term borrowings	(9,085,803)
Capital contributions	3,168,617
Net cash used in capital and related financing activities	<u>(21,896,640)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>25,107</u>
Net cash provided by investing activities	<u>25,107</u>

Net increase in cash 8,985,872

Cash:

Beginning	<u>73,608,371</u>
Ending	<u>\$ 82,594,243</u>

Classified as:

Cash	\$ 1,596,513
Restricted assets:	
Cash	26,372,536
Cash equivalents included in investments	54,625,194
	<u>\$ 82,594,243</u>

HENRY COUNTY WATER AUTHORITY

STATEMENT OF CASH FLOWS FISCAL YEAR ENDED JUNE 30, 2014

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating loss	\$ (11,107,648)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	31,074,795
Changes in assets and liabilities:	
Decrease in accounts receivable	200,186
Decrease in due from Henry County	12,478
Decrease in inventory	70,823
Increase in prepaid expenses	(28,619)
Increase in other noncurrent assets	(929,264)
Decrease in accounts payable and accrued expenses	(353,809)
Increase in customer deposits payable	422,209
Increase in OPEB obligation	761,274
Net cash provided by operating activities	<u>\$ 20,122,425</u>

SUPPLEMENTARY SCHEDULE OF NON-CASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES

Capital contributions from developers	\$ 1,079,526
	<u>\$ 1,079,526</u>

See Notes to Financial Statements.

HENRY COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The Henry County Water Authority (the "Authority"), a body politic, was duly created under the Acts of the General Assembly of the State of Georgia on March 28, 1961. The Authority was created to provide water and related services throughout Henry County, Georgia (the "County"). The Authority currently serves approximately 56,000 customers in the City of McDonough and Henry County, Georgia. Related services include waste treatment, maintenance of water and sewer lines and installation of new water and sewer lines. The Authority is governed by a board of directors, which are appointed by Henry County. The County is obligated for the debt of the Authority, and therefore, a financial burden exists.

The Authority's financial information is included within Henry County, Georgia's financial statements as a discretely presented component unit.

Fund Accounting:

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

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

Measurement Focus:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of these funds are included in the statement of net position. Net position is segregated into net investment in capital assets, restricted and unrestricted net position components. Proprietary fund operating statements present increases (revenues) and decreases (expenses) in net total assets. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation:

The Authority's financial statements include the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and, Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. The financial statements include a Management Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.

Management Estimates:

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

Revenues:

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 are charges for goods and services provided. Operating expenses include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Investments:

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Authority.

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

Investments are stated at fair value.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Customer Accounts Receivable:

Customer accounts receivable include billed but uncollected amounts and unbilled receivables based upon a pro rata amount of subsequent monthly billings. Allowances for doubtful accounts are maintained based on historical results adjusted to reflect current conditions.

Property Taxes Receivable:

Property taxes levied by the County in September 2013, and not collected by June 30, 2014, are recorded as receivables, net of estimated uncollectibles.

Inventories:

Inventories of materials and supplies are stated at cost, which approximates market, using the weighted average method.

Restricted Assets:

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

Bond Premiums and Discounts:

Bond premiums and discounts are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums and discounts are presented as an addition and reduction, respectively, of the face amount of bonds payable.

Deferred Refunding Charges:

Deferred refunding charges represent the difference between the carrying amount of defeased debt and its reacquisition price. Deferred refunding charges are amortized using the straight-line method over the remaining life of the defeased debt, had it not been refunded, or the life of the new debt, whichever is shorter. Unamortized deferred refunding charges are presented as deferred inflows or outflows of resources.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets:

Capital assets are carried at cost. Assets with a cost of \$5,000 or greater are capitalized. Donated capital assets are recorded at their estimated fair value at the date of donation. These assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Land Improvements	10
Buildings	10 - 50
Infrastructure	10 - 50
Machinery and Equipment	3 - 50

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Capital Contributions:

Capital contributions consist of capital grants or contributions from developers, customers and other funds.

Deferred Outflows / Inflows of Resources and Net Position:

The Authority implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2013. This standard along with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority had one item that qualified for reporting in this category. That item is the deferred bond refunding charges.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows / Inflows of Resources and Net Position: (Continued)

In addition to liabilities, the statement of 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority did not have any items that qualified for reporting in this category.

NOTE 2. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2014, are summarized as follows:

As reported in the Statement of Net Position:	
Cash	\$ 1,596,513
Restricted:	
Cash	26,372,536
Investments	54,625,194
	<u>\$ 82,594,243</u>
Cash deposited with financial institutions	\$ 27,969,049
Cash deposited with Georgia Fund 1	54,625,194
	<u>\$ 82,594,243</u>

Credit risk. State statutes authorize the Authority to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. As of June 30, 2014, the Authority's investment in Georgia Fund 1 was rated AAf by Standard & Poor's.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2014, the Authority had the following investments:

Investment	Maturities	Fair Value
Georgia Fund 1	62 day weighted average	\$ 54,625,194
Total		\$ 54,625,194

Georgia Fund 1, created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard & Poor's criteria for AAAf rated money market funds. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1.00 per share. The pool is regulated by the Georgia Office of State Treasurer.

Interest Rate Risk. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2014, all of the Authority's funds which were uninsured were collateralized as required by the Official Code of Georgia Annotated (OCGA) Section 45-8-12(c) and as defined by GASB pronouncements. The Authority does not have a formal custodial credit risk policy but does ensure compliance with OCGA and GASB.

NOTE 3. RECEIVABLES

Receivables, including the applicable allowances for uncollectible accounts, consisted of the following at June 30, 2014:

Receivables:		
Taxes		\$ 427,546
Interest		16,969
Accounts		6,160,053
	Gross receivables	6,604,568
	Less allowance for uncollectibles	(164,304)
	Net total receivables	\$ 6,440,264

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 35,495,474	\$ 29,193	\$ (642,400)	\$ -	\$ 34,882,267
Construction in progress	3,757,976	3,550,234	-	(4,295,022)	3,013,188
Total	<u>39,253,450</u>	<u>3,579,427</u>	<u>(642,400)</u>	<u>(4,295,022)</u>	<u>37,895,455</u>
Capital assets, being depreciated:					
Buildings	16,046,179	41,710	-	99,446	16,187,335
Improvements other than buildings	639,196,714	1,123,415	(13,866,737)	2,520,817	628,974,209
Machinery and equipment	14,981,318	260,665	(65,584)	1,529,146	16,705,545
Vehicles	3,761,359	97,546	-	145,613	4,004,518
Total	<u>673,985,570</u>	<u>1,523,336</u>	<u>(13,932,321)</u>	<u>4,295,022</u>	<u>665,871,607</u>
Less accumulated depreciation for:					
Buildings	(5,664,600)	(765,096)	-	-	(6,429,696)
Improvements other than buildings	(270,200,608)	(27,649,086)	10,042,642	-	(287,807,052)
Machinery and equipment	(7,785,737)	(2,543,702)	65,584	145,613	(10,118,242)
Vehicles	(3,553,620)	(116,911)	-	(145,613)	(3,816,144)
Total	<u>(287,204,565)</u>	<u>(31,074,795)</u>	<u>10,108,226</u>	<u>-</u>	<u>(308,171,134)</u>
Total capital assets, being depreciated, net	<u>386,781,005</u>	<u>(29,551,459)</u>	<u>(3,824,095)</u>	<u>4,295,022</u>	<u>357,700,473</u>
Total capital assets, net	<u>\$ 426,034,455</u>	<u>\$ (25,972,032)</u>	<u>\$ (4,466,495)</u>	<u>\$ -</u>	<u>\$ 395,595,928</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 200,795,000	\$ -	\$ (9,515,000)	\$ 191,280,000	\$ 10,875,000
Plus unamortized premiums	10,013,993	-	(1,611,176)	8,402,817	
Less unamortized discounts	(97,676)	-	50,837	(46,839)	
Revenue bonds, net	210,711,317	-	(11,075,339)	199,635,978	
Notes payable	55,911,042	-	(2,441,217)	53,469,825	2,515,468
OPEB obligation	5,161,435	906,163	(144,889)	5,922,709	
Compensated absences	917,969	805,057	(711,678)	1,011,348	747,262
Total long-term liabilities	<u>\$ 272,701,763</u>	<u>\$ 1,711,220</u>	<u>\$ (14,373,123)</u>	<u>\$ 260,039,860</u>	<u>\$ 14,137,730</u>

Revenue Bonds:

The Authority issues bonds which pledge revenues derived from the operation of capital assets to pay debt service. Revenue bonds outstanding at June 30, 2014 are as follows:

<u>Interest Rate</u>	<u>Due Date</u>	
3.75%-6.15%	2020	\$ 12,030,000
4.90%-6.00%	2020	6,260,000
3.00%-5.25%	2030	45,870,000
5.00%	2026	29,785,000
2.00%-5.00%	2030	17,805,000
1.50%-4.00%	2018	13,630,000
2.16%	2028	65,900,000
		<u>191,280,000</u>
	Plus unamortized premiums	8,402,817
	Less unamortized discounts	(46,839)
		<u>\$ 199,635,978</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (CONTINUED)

Revenue Bonds: (Continued)

Revenue bond debt service requirements to maturity are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2015	\$ 10,875,000	\$ 7,513,966	\$ 18,388,966
2016	11,165,000	7,206,785	18,371,785
2017	11,490,000	6,837,543	18,327,543
2018	11,790,000	6,484,758	18,274,758
2019	12,340,000	6,061,245	18,401,245
2020-2024	60,905,000	23,203,465	84,108,465
2025-2029	61,450,000	11,165,008	72,615,008
2030	11,265,000	550,461	11,815,461
Total	<u>\$ 191,280,000</u>	<u>\$ 69,023,231</u>	<u>\$ 260,303,231</u>

Notes Payable:

The Authority has also incurred debt to the Georgia Environmental Facilities Authority for construction of various water and sewer system projects. These notes are as follows at June 30, 2014:

<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	
3.00%	20 years	2028	\$ 15,073,873
3.00%	20 years	2030	17,407,706
3.00%	20 years	2033	19,390,086
3.00%	20 years	2032	1,598,160
			<u>\$ 53,469,825</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (CONTINUED)

Notes Payable: (Continued)

The Authority's notes payable debt service requirements to maturity are as follows:

Fiscal year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,515,468	\$ 1,569,754	\$ 4,085,222
2016	2,590,528	1,494,694	4,085,222
2017	2,672,185	1,413,038	4,085,223
2018	2,752,049	1,333,174	4,085,223
2019	2,835,755	1,249,468	4,085,223
2020-2024	15,525,422	4,900,691	20,426,113
2025-2029	18,035,987	2,390,126	20,426,113
2030-2033	6,542,431	203,211	6,745,642
Total	<u>\$ 53,469,825</u>	<u>\$ 14,554,156</u>	<u>\$ 68,023,981</u>

NOTE 6. DEFINED BENEFIT PENSION PLAN

Plan Description

On January 1, 2004, the Authority began sponsoring the Association County Commissioners of Georgia Restated Pension Plan for Henry County Water Authority Employees (The Plan), which is a defined benefit pension plan. The Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. The Plan is affiliated with the Georgia Municipal Employees Benefit System Plan (The GMA Plan), an agent multiple-employer pension plan administered by The Segal Group, Inc. GMA, in its role as the Plan Sponsor, has the sole authority to amend the provisions of The GMA Plan. The Authority has the authority to amend the adoption agreement, which defines the specific benefit provisions of The Plan. Complete financial statements for the Georgia Municipal Association (GMA) Defined Benefit Pension Plan can be obtained from 201 Pryor Street, Atlanta, Georgia 30303-3606.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Policy

The Authority is required to contribute an actuarially determined amount annually to The Plan's trust. The contribution amount is determined using actuarial methods and assumptions approved by The Segal Company Plan trustees and intended to satisfy the minimum contribution requirements as set forth in the State of Georgia statutes. Plan participants are required to contribute a percentage of their compensation to the plan. The required contribution percentage at June 30, 2014, was 5%.

Annual Pension Cost

The Authority's annual pension cost and net pension asset for the pension plan for the plan year ended June 30, 2014 are as follows:

<u>Derivation of Net Pension Asset</u>	<u>2014</u>
Annual Required Contribution	\$ 1,330,490
Interest on net pension asset	(124,612)
Adjustments to annual required contribution	(18,624)
Annual Pension Cost for Fiscal Year	<u>1,187,254</u>
Actual Contributions to Plan for Fiscal Year	<u>2,116,518</u>
Increase in Net Pension Asset	(929,264)
Net Pension Asset as of June 30, 2013	(4,926,739)
Net Pension Asset as of June 30, 2014	<u><u>\$ (5,856,003)</u></u>

The estimated interest adjustment has been calculated by applying a 2.75% rate of return to the beginning of the year balance of the net pension asset.

Basis of Valuation

Current Valuation Date	January 1, 2014
Annual Return on Invested Plan Assets	7.75%
Projected Annual Salary Increases	3.50%
Expected Annual Inflation	1.00%
Actuarial Value of Assets	Market Value
Actuarial Funding Method	Projected Unit Credit
Amortization Method	Closed Level Dollar
Remaining Amortization Period	30

NOTES TO FINANCIAL STATEMENTS

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Annual Pension Cost (Continued)

Trend Information for The Plan

<u>Fiscal Year Beginning</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Authority Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
7/1/2006	\$ 563,210	\$ 995,869	176.8 %	\$ (1,296,896)
7/1/2007	754,181	1,336,859	177.3	(1,879,574)
7/1/2008	1,043,382	1,713,303	164.2	(2,549,495)
7/1/2009	1,216,547	1,789,604	147.1	(3,122,552)
7/1/2010	1,353,290	1,669,893	123.4	(3,439,155)
7/1/2011	1,298,844	1,724,047	132.7	(3,864,358)
7/1/2012	1,272,307	1,702,935	133.8	(4,294,986)
7/1/2013	1,307,720	1,939,473	148.3	(4,926,739)
7/1/2014	1,187,254	2,116,518	178.3	(5,856,003)

<u>Measurement Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as A Percentage of Covered Payroll</u>
12/31/2013	\$ 21,959,738	\$ 28,481,338	\$ 6,521,600	77.1 %	\$ 9,835,682	66.3 %

The required schedule of funding progress included in the Required Supplementary Information presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability. Actuarial valuations involve estimates of the 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 December 31, 2013.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to: torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for these risks of losses as well as other risks of loss such as workers' compensation insurance and general property and liability insurance.

There have been no significant reductions of insurance coverage from coverage in the prior year, and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 8. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The Henry County Water Authority Postretirement Benefit Plan (the "OPEB Plan") is a single-employer defined benefit post-retirement health care plan, or other post-employment benefit (OPEB) plan. The OPEB plan is based upon the policy that is contained in the Henry County Water Authority Employee handbook which outlines the eligibility, cost to participants, and other administrative matters. The policy is maintained at the discretion of the Authority.

General

The following brief description of the OPEB plan terms is provided for general information purposes only.

Retirement Options/Benefit Provisions

The Authority offers medical (including Rx) coverage to eligible retirees and their spouses. The benefits are the same as those offered to active employees. For retirees who are not Medicare eligible, the medical benefits are provided through an HMO or Multi-Choice plan. The Authority pays a portion of the retiree and dependent premiums for medical coverage. Once retirees become Medicare eligible, the medical benefits are provided through a Medicare supplemental plan. The Authority pays the entire premium for the retiree. The retiree must pay the entire premium for dependent coverage. The retiree is responsible for purchasing Medicare Part A & B coverage. The Authority offers dental coverage to eligible retirees and their spouses. The Authority pays the dental insurance premium for the retiree. The retiree must pay the entire premium for dependent coverage. The Authority offers vision coverage to eligible retirees. The retiree must pay the entire premium for coverage.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Eligibility

Eligible participants for Other Post-Employment Benefits include retirees who retire from active service after age 55 and completion of 10 years of service. Additionally, the employee's years of service plus age must also equal 75 or more.

Fund Membership

The following schedule (derived from the most recent actuarial valuation report) reflects membership for the OPEB Plan as of July 1, 2013.

Active participants	213
Retirees and beneficiaries	27
Total	240

Contributions

Henry County Water Authority contributed an actuarially determined amount to the OPEB Plan's trust. The annual required contribution is determined using actuarial methods and assumptions approved by the Retirement Plans Management Committee. It is intended to satisfy the minimum contribution requirements as set forth in GASB Statement 45.

Fiscal Year	Annual OPEB Cost	Actual Authority Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation End of Year
2010	\$ 1,286,743	\$ 77,667	6.04 %	\$ 2,425,649
2011	1,387,139	84,840	6.12	3,727,948
2012	922,957	135,138	14.64	4,515,767
2013	792,968	147,300	18.58	5,161,435
2014	906,163	144,889	15.99	5,922,709

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Contributions (Continued)

The Authority's annual OPEB cost and net OPEB obligation for the current year were as follows:

Annual required contribution	\$ 990,766
Interest from net OPEB obligation	232,265
Adjustment of net OPEB obligation	<u>(316,868)</u>
Annual OPEB cost	906,163
Actual contribution to the plan	<u>(144,889)</u>
Increase in net OPEB obligation	761,274
Net OPEB obligation as of July 1, 2013	5,161,435
Net OPEB obligation as of June 30, 2014	<u><u>\$ 5,922,709</u></u>

As of the most recent valuation date, July 1, 2013, the funded status of the OPEB Plan was as follows:

<u>Fiscal Year Ended</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded AAL as a Percent of Covered Payroll</u>
6/30/2014	\$ -	\$ 6,983,441	\$ 6,983,441	- %	\$ 11,974,506	58.3

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 computed using the actuarial cost method based on the substantive plan in effect as of July 1, 2013. Assumptions used in the July 1, 2013 actuarial valuation are included in the table on the following page:

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Contributions (Continued)

	Actuarial Assumptions:
Mortality	RP-2000 Combined Mortality Table, full generational using Scale AA
Amortization	Level dollar amount over 30 years based on an open group
Discount rate for benefit obligations	4.5% per year
Inflation rate assumption	3.0%
Cost Method	Projected unit credit
Healthcare cost trend rates:	
Medical	8.5% graded by .5% per year to ultimate rate of 5.0%
Dental	5.0% graded by .25% per year to ultimate rate of 4.0%
Retirement rates by age:	
55	20%
56-61	10%
62	30%
63-64	10%
65	100%
Marital Status	80% of retirees are assumed to be married at retirement.
Age difference of spouses	Males are assumed to be three years older than females.
Plan participation	100% of future eligible retirees are assumed to elect coverage for themselves and their spouses.
Per capita claims cost	Gross per capital claims costs were developed from current premium rates by plan actuarially increased using health index factors and current enrollment. The costs are assumed to increase with health care trend rates. Upon retirement, all employees are assumed to elect the Premier Plus plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. CHANGE IN ACCOUNTING PRINCIPLE

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the Authority is required to change its accounting treatment of debt issuance costs. The new standard requires that debt issuance costs be recognized as an expense in the period incurred rather than capitalized and recognized as an expense (amortized) in a systematic and rational manner over the duration of the related debt as was the required treatment in prior reporting periods.

Therefore, in conjunction with the implementation of Statement No. 65, the following restatement was required to the June 30, 2014 beginning net position of the Authority to properly recognize debt issuance costs as expenses in the periods in which they were incurred:

Net position, previously reported	\$ 241,846,652
Recognition of issuance costs incurred in prior periods	<u>(2,123,628)</u>
Beginning net position, restated	<u><u>\$ 239,723,024</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

HENRY COUNTY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

DEFINED BENEFIT PENSION PLAN SCHEDULE OF FUNDING PROGRESS

The assumptions used in the preparation of the above schedule are disclosed in Note 6 in the Notes to the Financial Statements.

Plan Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a Percent of Covered Payroll
12/31/2005	\$ 2,813,334	\$ 7,655,401	\$ 4,842,067	36.7 %	\$ 7,173,951	67.5
12/31/2006	4,571,740	8,299,064	3,727,324	55.1	7,867,202	47.4
12/31/2007	6,818,481	12,134,018	5,315,537	56.2	8,955,377	59.4
12/31/2008	8,697,588	14,612,339	5,914,751	59.5	10,144,460	58.3
12/31/2009	11,295,607	17,180,226	5,884,619	65.7	10,685,904	55.1
12/31/2010	14,049,501	21,619,929	7,570,428	65.0	10,346,469	73.2
12/31/2011	16,361,499	24,234,961	7,873,462	67.5	10,276,891	76.6
12/31/2012	18,907,964	26,130,856	7,222,892	72.4	9,840,892	73.4
12/31/2013	21,959,738	28,481,338	6,521,600	77.1	9,835,682	66.3

OTHER POST EMPLOYMENT BENEFIT PLAN SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a Percent of Covered Payroll
6/30/2012	\$ -	\$ 6,797,083	\$ 6,797,083	-	\$ 10,524,399	64.6 %
6/30/2013	-	6,189,591	6,189,591	-	10,840,131	57.1
6/30/2014	-	6,983,441	6,983,441	-	11,974,506	58.3

The assumptions used in the preparation of the above schedule are disclosed in Note 8 in the Notes to the Financial Statements.

STATISTICAL SECTION

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends	36 - 42
<i>These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.</i>	
Revenue Capacity.....	43 - 54
<i>These schedules contain information to help the reader assess the Authority's most significant local revenue sources.</i>	
Debt Capacity.....	55 - 57
<i>These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.</i>	
Revenue Capacity Information.....	58 - 60
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.</i>	
Operating Information.....	61 - 64
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the Authority's financial reports for the relevant year. The Authority implemented GASB 34 in 2003; schedules presenting government-wide information (unless otherwise indicated) include information beginning in that year.

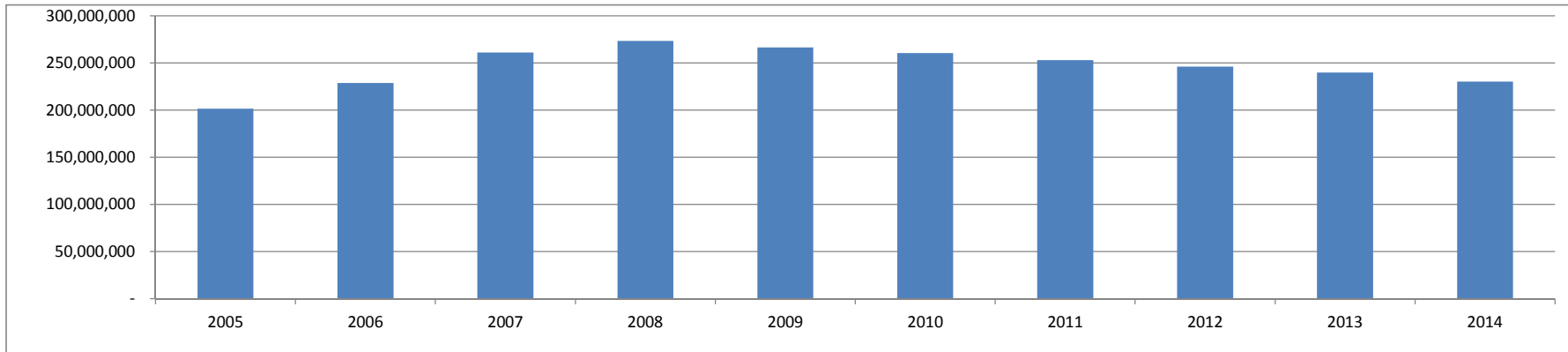
Note: Statistical schedules differ from financial statements because they usually cover more than one fiscal year and may present non-accounting data. These schedules reflect social and economic data and financial trends of the Authority taken directly from its records unless otherwise indicated.

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the Henry County Water Authority's financial performance and well being have changed over time.

HENRY COUNTY WATER AUTHORITY
NET POSITION BY COMPONENT
LAST TEN YEARS

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net investment in capital assets	\$ 188,105,036	\$ 210,147,676	\$ 198,056,873	\$ 220,786,750	\$ 228,664,267	\$ 238,506,575	\$ 221,738,250	\$ 205,280,042	\$ 200,409,094	\$ 163,916,454
Restricted for:										
Debt service	14,341,645	14,470,748	56,159,313	44,262,004	33,315,862	16,931,449	24,847,227	32,822,755	31,472,197	56,308,020
Unrestricted	(1,045,664)	4,188,297	6,877,064	8,406,044	4,685,547	5,006,054	6,330,880	8,036,510	7,841,733	10,043,536
Total net position	<u>\$ 201,401,017</u>	<u>\$ 228,806,721</u>	<u>\$ 261,093,250</u>	<u>\$ 273,454,798</u>	<u>\$ 266,665,676</u>	<u>\$ 260,444,078</u>	<u>\$ 252,916,357</u>	<u>\$ 246,139,307</u>	<u>\$ 239,723,024</u>	<u>\$ 230,268,010</u>



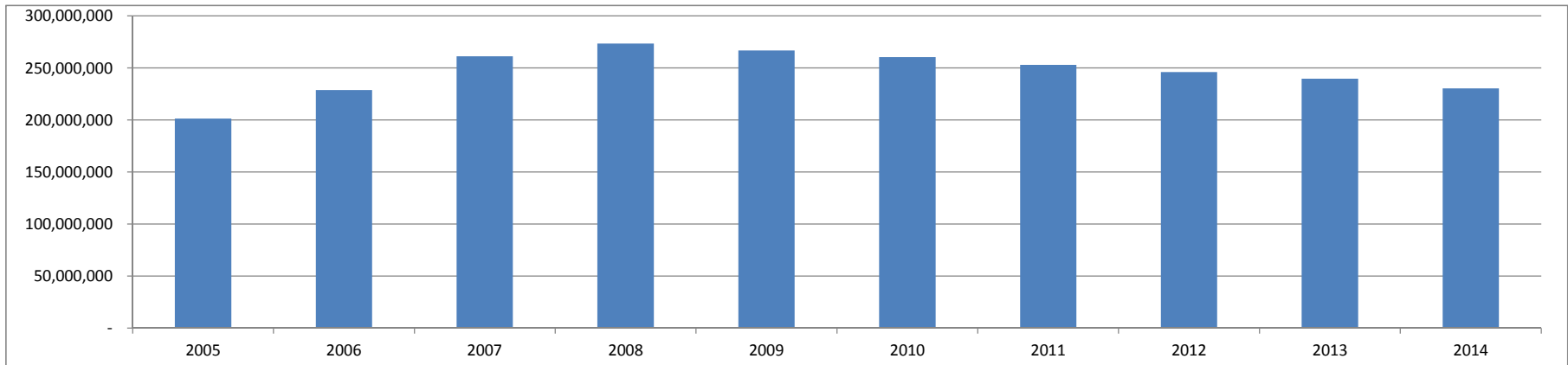
HENRY COUNTY WATER AUTHORITY
CHANGES IN NET POSITION
LAST TEN YEARS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Operating Revenues	\$ 27,950,479	\$ 32,733,003	\$ 36,018,346	\$ 35,702,127	\$ 37,346,288	\$ 39,961,912	\$ 43,595,126	\$ 45,967,528	\$ 46,381,388	\$ 48,489,781
Operating Expenses	33,927,525	36,852,752	41,664,705	48,950,470	54,755,618	55,812,639	56,525,236	54,864,449	54,586,091	59,597,429
Operating Income (Loss)	(5,977,046)	(4,119,749)	(5,646,359)	(13,248,343)	(17,409,330)	(15,850,727)	(12,930,110)	(8,896,921)	(8,204,703)	(11,107,648)
Non-Operating Revenue (Expense)	31,893	3,933,485	7,420,798	5,913,202	4,930,827	4,060,355	1,637,472	(1,267,050)	567,767	(2,791,323)
Gain (Loss) before Contributions	(5,945,153)	(186,264)	1,774,439	(7,335,141)	(12,478,503)	(11,790,372)	(11,292,638)	(10,163,971)	(7,636,936)	(13,898,971)
Capital Contributions	25,536,325	27,591,968	30,512,090	19,696,689	5,689,381	5,568,774	3,764,917	3,386,921	1,220,653	4,443,957
Change in Net Position	19,591,172	27,405,704	32,286,529	12,361,548	(6,789,122)	(6,221,598)	(7,527,721)	(6,777,050)	(6,416,283)	(9,455,014)
Net Position - Beginning	181,809,845	201,401,017	228,806,721	261,093,250	273,454,798	266,665,676	260,444,078	252,916,357	246,139,307	239,723,024
Net Position - Ending	\$ 201,401,017	\$ 228,806,721	\$ 261,093,250	\$ 273,454,798	\$ 266,665,676	\$ 260,444,078	\$ 252,916,357	\$ 246,139,307	\$ 239,723,024	\$ 230,268,010

Note:

See the Operating Revenues statistical schedule for a breakdown by revenue source.

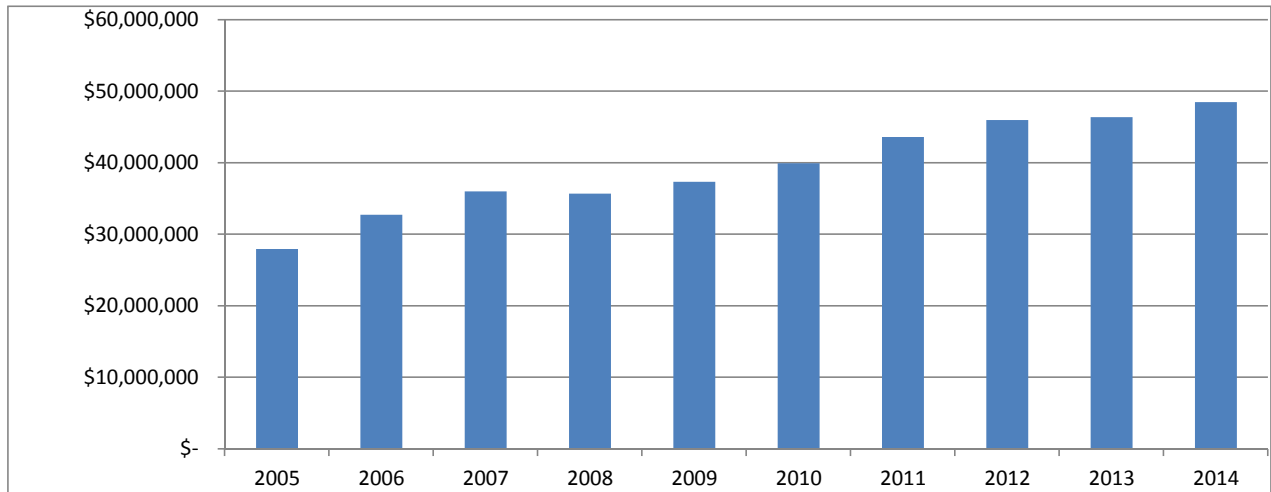
See the Non-Operating Revenues (Expenses) statistical schedule for a breakdown by non-operating revenue (expense) item.



HENRY COUNTY WATER AUTHORITY

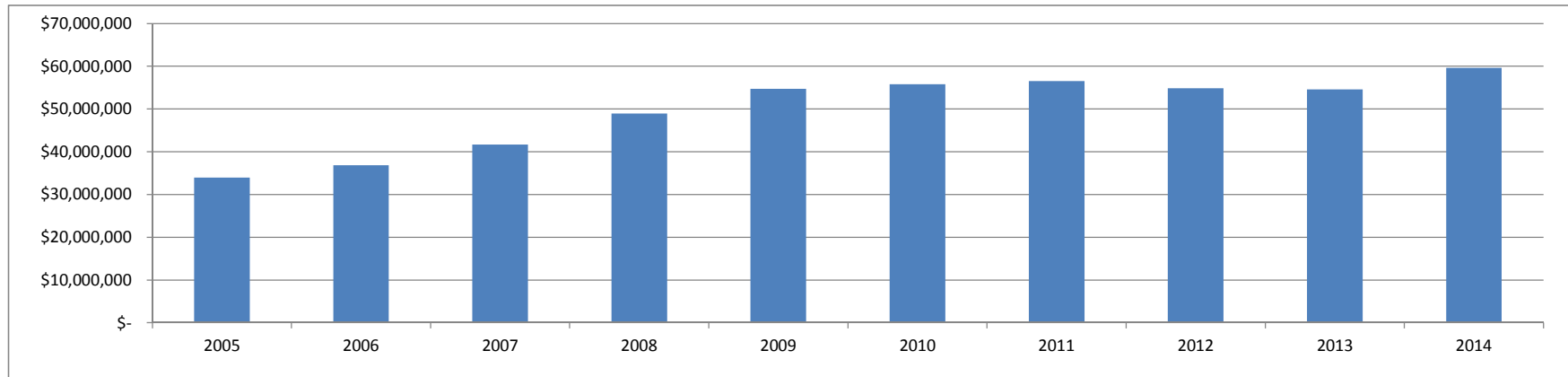
OPERATING REVENUES BY SOURCE LAST TEN YEARS

Fiscal Year	Water Revenues	Sewer Revenues	Connection Fees	Other Fees and Charges	Total
2005	\$ 20,852,083	\$ 5,956,110	\$ 687,316	\$ 454,970	\$ 27,950,479
2006	24,496,078	7,113,762	771,385	351,778	32,733,003
2007	27,090,802	7,985,196	469,160	473,188	36,018,346
2008	26,475,486	8,469,760	217,259	539,622	35,702,127
2009	27,309,977	9,188,611	124,707	722,993	37,346,288
2010	28,832,018	10,074,148	100,740	955,006	39,961,912
2011	31,451,080	10,813,428	104,255	1,226,363	43,595,126
2012	32,937,885	11,206,587	121,430	1,701,626	45,967,528
2013	32,761,539	11,752,238	191,927	1,675,684	46,381,388
2014	33,706,604	12,686,632	294,935	1,801,610	48,489,781



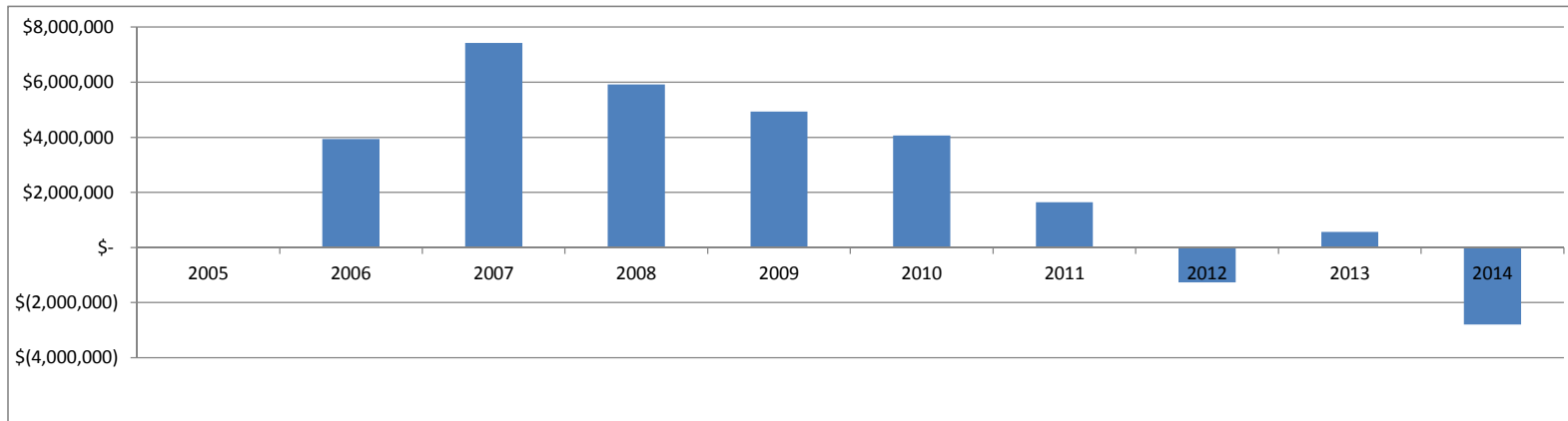
HENRY COUNTY WATER AUTHORITY
OPERATING EXPENSES BY FUNCTION
LAST TEN YEARS

<u>Fiscal Year</u>	<u>Water Treatment</u>	<u>Water Purchase</u>	<u>Customer Service and Connection</u>	<u>Waste Water Treatment</u>	<u>Repairs and Maintenance</u>	<u>Administrative and Engineering</u>	<u>Depreciation</u>	<u>Information Technology</u>	<u>Total Operating Expenses</u>
2005	\$ 2,666,373	\$ 565,274	\$ 3,170,323	\$ 3,013,882	\$ 5,697,921	\$ 3,371,193	\$ 14,259,739	\$ 1,182,820	\$ 33,927,525
2006	3,274,102	397,834	3,401,765	3,355,143	6,018,254	3,700,723	15,550,652	1,154,279	36,852,752
2007	4,165,653	118,522	3,110,421	3,465,474	6,549,697	4,788,394	18,264,673	1,201,871	41,664,705
2008	4,499,392	84,783	3,070,178	3,929,979	7,687,983	5,506,196	22,805,784	1,366,175	48,950,470
2009	5,136,763	74,615	3,388,580	4,463,053	8,570,491	6,101,471	25,598,147	1,422,498	54,755,618
2010	5,428,943	80,644	3,372,801	4,625,639	8,747,513	5,693,885	26,634,341	1,228,873	55,812,639
2011	5,662,739	80,322	3,104,957	4,713,624	8,869,625	5,042,610	27,840,646	1,210,713	56,525,236
2012	5,396,683	128,133	2,997,749	4,941,058	8,539,430	4,755,786	26,887,472	1,218,138	54,864,449
2013	4,236,560	133,837	2,851,222	4,527,492	9,467,367	4,910,456	27,129,579	1,329,578	54,586,091
2014	4,619,218	169,601	3,181,745	4,694,587	9,545,281	4,987,815	31,074,795	1,324,387	59,597,429



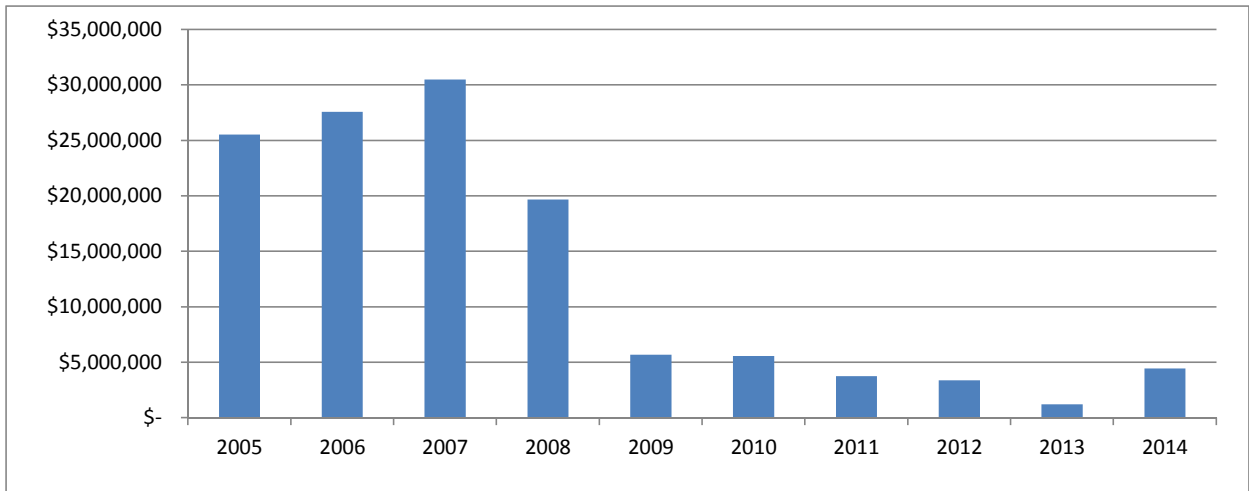
HENRY COUNTY WATER AUTHORITY
NON-OPERATING REVENUES (EXPENSES)
LAST TEN YEARS

Fiscal Year	Real Property Taxes	Motor Vehicle and Other Taxes	Interest Income	Realized Gains (Losses) on Investments	Interest Expense and Fiscal Charges	Gain (Loss) on Disposal of Capital Assets	Other	Total Non-Operating Revenue (Expense)
2005	\$ 9,440,499	\$ 1,347,011	\$ 1,282,331	\$ (259,005)	\$ (10,159,399)	\$ (2,040,208)	\$ 420,664	\$ 31,893
2006	10,363,150	1,471,602	2,067,097	(164,641)	(10,060,147)	3,532	252,892	3,933,485
2007	11,456,251	1,553,062	3,349,937	(169,138)	(9,676,814)	12,517	894,983	7,420,798
2008	12,488,924	1,415,249	2,416,150	261,980	(10,948,444)	7,600	271,743	5,913,202
2009	13,627,396	1,292,157	866,635	116,460	(11,115,574)	4,870	138,883	4,930,827
2010	13,440,290	1,190,644	337,658	(295,152)	(10,767,833)	5,102	149,646	4,060,355
2011	11,537,338	1,201,397	93,770	(64,250)	(11,362,704)	-	231,921	1,637,472
2012	10,725,108	1,226,663	14,045	-	(13,227,186)	(5,680)	-	(1,267,050)
2013	9,296,221	1,326,845	70,592	-	(10,132,661)	6,770	-	567,767
2014	9,386,971	1,295,644	29,962	-	(9,091,132)	(4,412,768)	-	(2,791,323)



HENRY COUNTY WATER AUTHORITY
CAPITAL CONTRIBUTIONS FROM DEVELOPERS AND IMPACT FEES
LAST TEN YEARS

Fiscal Year	Impact Fees	Contributions for Project Improvements	Contributions in Kind	Total
2005	\$ 7,865,973	\$ 3,925,794	\$ 13,744,558	\$ 25,536,325
2006	8,840,607	4,169,808	14,581,553	27,591,968
2007	5,908,273	7,996,101	16,607,716	30,512,090
2008	6,108,482	4,878,475	8,709,732	19,696,689
2009	1,051,561	1,107,550	3,530,270	5,689,381
2010	1,357,251	2,029,146	2,182,377	5,568,774
2011	952,480	1,489,253	1,323,184	3,764,917
2012	1,514,751	1,406,524	465,646	3,386,921
2013	1,516,803	136,210	(432,360)	1,220,653
2014	2,788,161	1,655,796	-	4,443,957

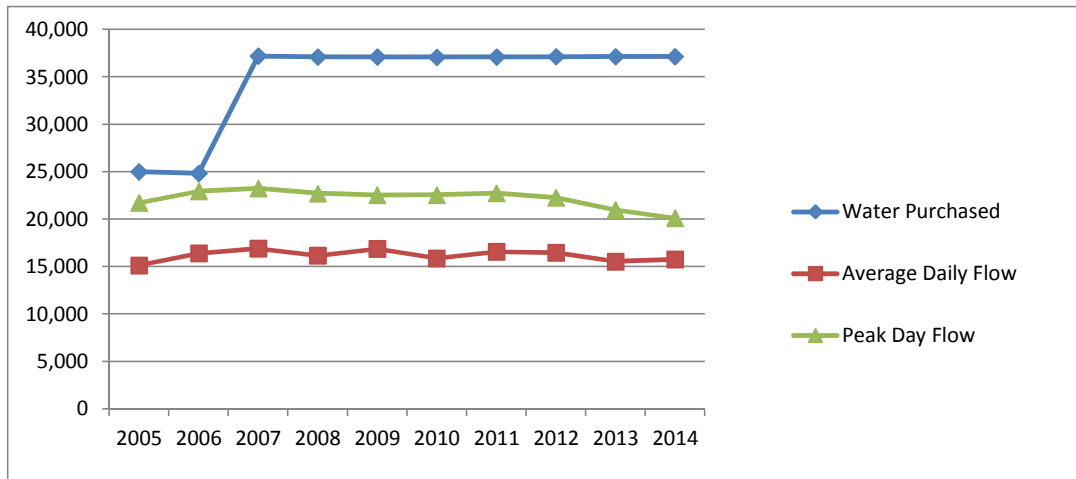


REVENUE CAPACITY

These schedules contain information to help the reader assess the factors affecting the Authority's ability to generate its user service charges.

HENRY COUNTY WATER AUTHORITY
WATER CAPACITY COMPARED WITH ANNUAL AVERAGE DAILY FLOW
LAST TEN FISCAL YEARS
(ALL NUMBERS EXPRESSED IN THOUSANDS OF GALLONS)

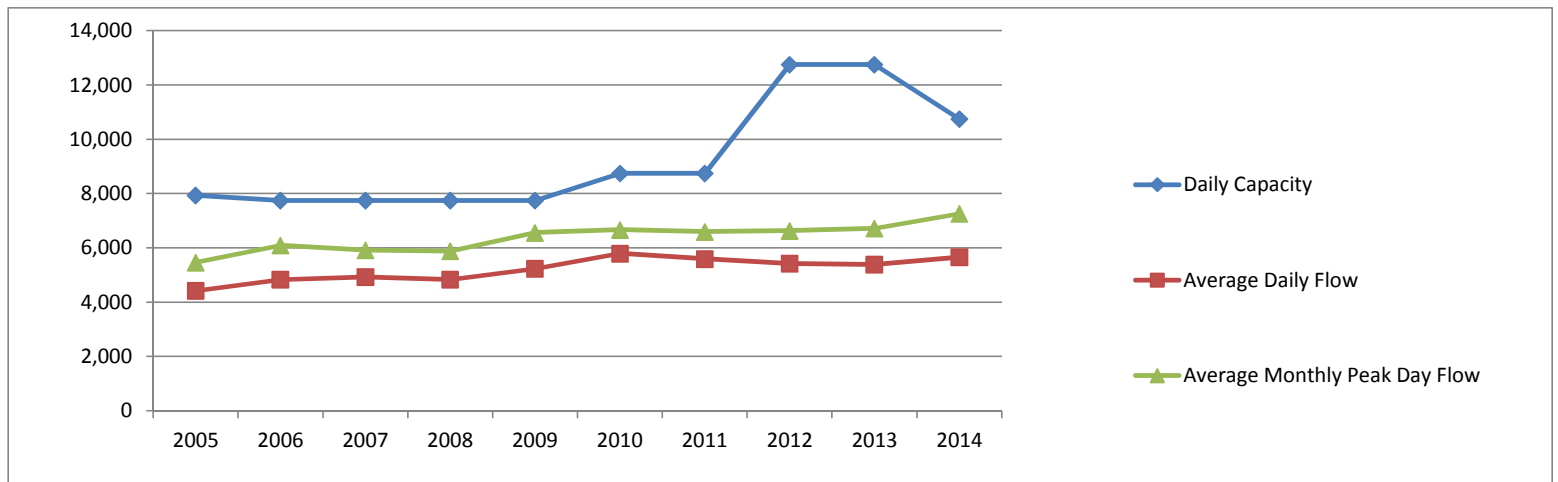
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Maximum Permitted Daily Capacity of Water Treatment Plants:										
Towaliga water treatment plant	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
Tussahaw water treatment plant	-	-	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Water Purchased	994	830	186	112	114	65	108	121	135	141
	24,994	24,830	37,186	37,112	37,114	37,065	37,108	37,121	37,135	37,141
Average daily flow	15,125	16,387	16,896	16,144	16,869	15,867	16,553	16,451	15,533	15,753
Percent of Capacity used	61%	66%	45%	44%	45%	43%	45%	44%	42%	42%
Avg. Summer Peak Day flow	21,719	22,948	23,241	22,717	22,533	22,548	22,739	22,252	20,978	20,090
Percent of Capacity used	87%	92%	62%	61%	61%	61%	61%	60%	56%	54%



Source: Henry County Water Authority historical financial records

HENRY COUNTY WATER AUTHORITY
SEWERAGE TREATMENT CAPACITY COMPARED WITH ANNUAL AVERAGE DAILY FLOW
LAST TEN FISCAL YEARS
(ALL NUMBERS EXPRESSED IN THOUSANDS OF GALLONS)

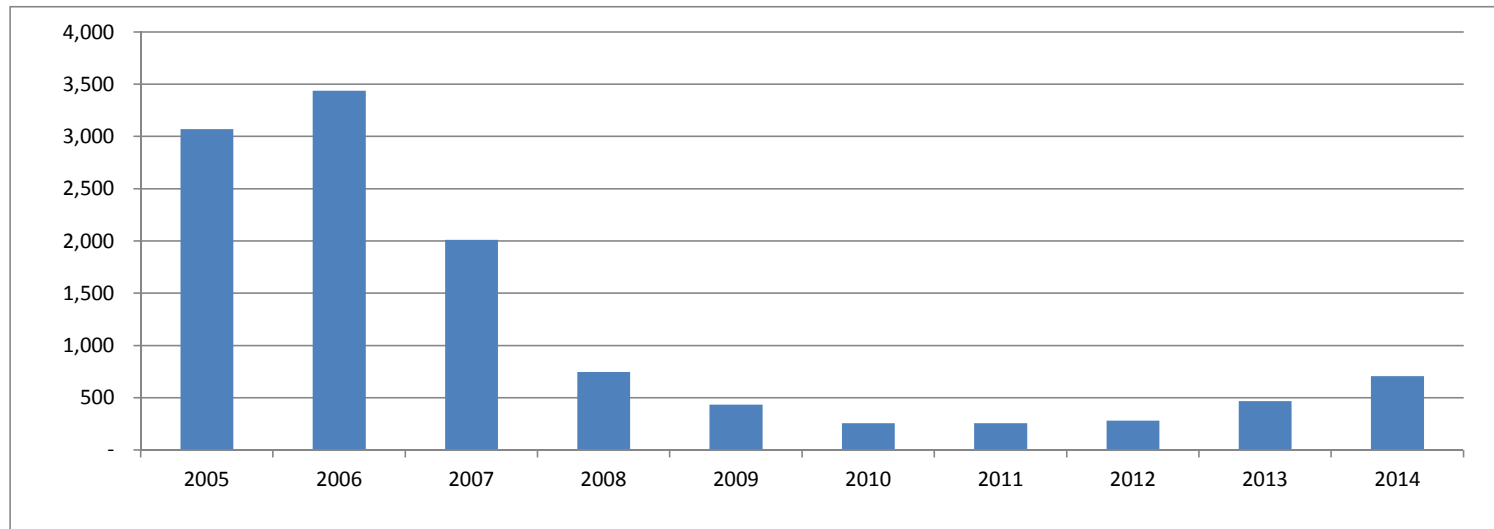
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Permitted Daily Capacity of Sewerage Treatment Plants:										
Simpsons Mill sewerage plant	180 (taken out of service)									
Springdale sewerage plant	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000 (taken out of service)
Indian Creek sewerage plant	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Bear Creek sewerage plant	250	250	250	250	250	1,250	1,250	1,250	1,250	1,250
Walnut Creek sewerage plant	4,000	4,000	4,000	4,000	4,000	4,000	4,000	8,000	8,000	8,000
Total Permitted Capacity	7,930	7,750	7,750	7,750	7,750	8,750	8,750	12,750	12,750	10,750
Average daily flow	4,426	4,835	4,931	4,837	5,237	5,796	5,597	5,423	5,389	5,663
Percent of Capacity used	56%	62%	64%	62%	68%	66%	64%	43%	42%	53%
Avg. Monthly Peak Day flow	5,465	6,099	5,922	5,884	6,563	6,669	6,598	6,634	6,719	7,263
Percent of Capacity used	69%	79%	76%	76%	85%	76%	75%	52%	53%	68%



Source: Henry County Water Authority historical financial records

HENRY COUNTY WATER AUTHORITY
NEW WATER METERS ADDED TO THE SYSTEM
LAST TEN FISCAL YEARS

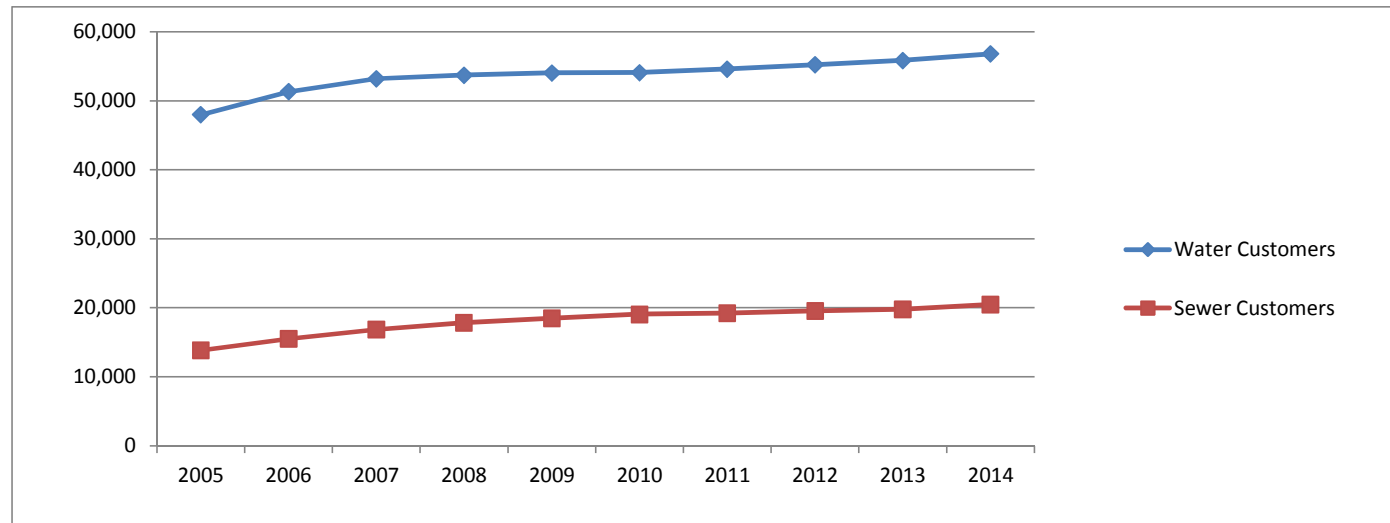
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Size of Meter										
3/4"	2,911	3,191	1,839	635	305	234	243	244	434	666
1"	98	109	84	70	64	19	13	29	25	32
1.5"	-	1	-	-	1	-	-	-	1	2
2"	32	85	52	30	39	4	2	6	7	6
3"	2	-	-	-	-	-	-	-	-	-
4"	1	2	3	-	-	1	-	-	-	1
6"	21	37	16	10	17	1	1	2	1	1
8"	6	8	16	2	7	-	-	1	-	1
10"	-	7	1	1	2	-	-	-	-	-
Total	3,071	3,440	2,011	748	435	259	259	282	468	709



Source: Henry County Water Authority historical financial records

HENRY COUNTY WATER AUTHORITY
NUMBER OF CUSTOMERS
LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water Customers										
Residential	46,558	49,818	51,539	51,977	52,276	52,300	52,832	53,396	53,979	54,887
Commercial & Industrial	1,445	1,524	1,672	1,757	1,790	1,790	1,792	1,837	1,877	1,924
Municipal	4	4	4	4	4	4	4	4	4	4
	<u>48,007</u>	<u>51,346</u>	<u>53,215</u>	<u>53,738</u>	<u>54,070</u>	<u>54,094</u>	<u>54,628</u>	<u>55,237</u>	<u>55,860</u>	<u>56,815</u>
Sewerage Customers										
Residential	13,182	14,806	16,068	16,983	17,626	18,186	18,354	18,651	18,907	19,598
Commercial & Industrial	661	715	785	844	873	887	881	900	889	903
Municipal	1	1	1	1	1	1	1	1	-	-
	<u>13,844</u>	<u>15,522</u>	<u>16,854</u>	<u>17,828</u>	<u>18,500</u>	<u>19,074</u>	<u>19,236</u>	<u>19,552</u>	<u>19,796</u>	<u>20,501</u>



Source: Henry County Water Authority historical financial records

HENRY COUNTY WATER AUTHORITY
RESIDENTIAL WATER AND SEWERAGE RATES
LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water										
Base Charge	14.35*	15.07*	15.82*	9.25	9.71	10.20	10.70	11.24	11.80	12.39
Charge per 1,000 gallons:										
over 3,000 gallons	4.03	4.23	4.44							
-0- to 6,000 gallons				3.50	3.68	3.86	4.05	4.25	4.46	4.68
6,001 to 10,000 gallons				4.75	4.99	5.24	5.50	5.78	6.07	6.37
over 10,000 gallons				6.95	7.30	7.67	8.05	8.45	8.87	9.31
Sewerage										
Base Charge	14.35*	15.07*	15.82*	9.25	9.71	10.20	10.70	11.24	11.80	12.39
Charge per 1,000 gallons:										
over 3,000 gallons	4.03	4.23	4.44							
-0- to 6,000 gallons				3.50	3.68	3.86	4.05	4.25	4.46	4.68
over 6,000 gallons				4.75	4.99	5.24	5.50	5.78	6.07	6.37

* In FY 2005 through FY 2007 the Base Charge includes the first 3,000 gallons
A new rate structure was adopted in FY 2008

**HENRY COUNTY WATER AUTHORITY
COMMERCIAL WATER AND SEWERAGE RATES
LAST TEN FISCAL YEARS**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water										
Base Charge:										
3/4"	14.35*	15.07*	15.82*	9.25	9.71	10.20	10.70	11.24	11.80	12.39
1"	14.35*	15.07*	15.82*	9.25	9.71	10.20	10.70	11.24	11.80	12.39
1.5"	32.59	34.22	35.93	46.25	48.56	50.99	53.54	56.22	59.03	61.98
2'	116.36	122.18	128.29	128.29	134.70	141.44	148.51	155.94	163.74	171.92
3"	248.21	260.62	273.65	240.54	252.57	265.20	278.46	292.38	307.00	322.35
4"	310.28	325.79	342.08	352.80	370.44	388.96	408.41	428.83	450.27	472.78
6"	542.97	570.12	598.63	487.50	511.88	537.47	564.34	592.56	622.19	653.29
8"	659.32	692.29	726.90	602.96	633.11	664.77	698.01	732.90	769.55	808.02
10"	1,008.36	1,058.78	1,111.72	936.52	983.34	1,032.52	1,084.15	1,138.36	1,195.28	1,255.04
Charge per 1,000 gallons: over 3,000 gallons per 1,000 gallons	4.03	4.23	4.44	4.75	4.99	5.24	5.50	5.78	6.07	6.37
Sewerage										
Base Charge	14.35*	15.07*	15.82*	9.25	9.71	10.20	10.70	11.24	11.80	12.39
Charge per 1,000 gallons: over 3,000 gallons per 1,000 gallons	4.03	4.23	4.44	4.75	4.99	5.24	5.50	5.78	6.07	6.37

* In FY 2004 through FY 2007 the Base Charge includes the first 3,000 gallons
A new rate structure was adopted in FY 2008

HENRY COUNTY WATER AUTHORITY
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Real Property		Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Motor Vehicles	Other (1)					
2005	3,549,801,966	1,620,263,499	423,649,350	11,087,769	890,036,158	4,714,766,426	12.04	11,786,916,065	40%
2006	4,030,385,731	1,711,614,189	426,951,430	15,233,252	1,060,592,258	5,123,592,344	11.24	12,808,980,860	40%
2007	4,500,677,025	1,848,100,687	428,347,920	13,425,953	1,156,212,229	5,634,339,356	11.20	14,085,848,390	40%
2008	4,949,730,447	2,053,935,438	474,676,980	13,876,885	1,279,630,190	6,212,589,560	11.20	15,531,473,900	40%
2009	5,139,260,358	2,452,100,370	504,161,380	8,800,752	1,343,128,210	6,761,194,650	10.97	16,902,986,625	40%
2010	5,100,209,854	2,444,597,311	521,749,210	10,237,167	1,355,121,921	6,721,671,621	10.97	16,804,179,053	40%
2011	4,148,277,699	2,295,735,115	450,888,710	10,241,711	1,195,578,627	5,709,564,608	11.75	14,273,911,520	40%
2012	3,761,782,236	2,289,954,941	458,020,740	9,796,885	1,257,127,218	5,262,427,584	11.75	13,156,068,960	40%
2013	3,022,034,746	2,386,381,854	478,457,190	8,195,509	1,254,042,188	4,641,027,111	14.50	11,602,567,778	40%
2014	3,034,741,148	2,426,561,125	495,286,040	8,991,946	1,250,359,481	4,715,220,778	14.50	11,788,051,945	40%

Source: Henry County Tax Commissioner

(1) Includes Heavy Equipment, Mobile Homes, and Timber.

NOTE: Information provided includes all of Henry County and not only related to Henry County Water Authority

HENRY COUNTY WATER AUTHORITY
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(rate per \$1,000 of assessed value)

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Henry County rates										
Maintenance & Operations										
Unincorporated	14.06	14.13	14.13	14.37	13.89	13.71	14.89	18.52	18.71	18.39
Insurance Reduction (1)	-	-	-	-	-	-	-	-	-	-
Municipal rates										
McDonough (2)	2.71	2.56	2.51	2.45	2.59	2.59	3.45	4.39	4.39	4.38
Stockbridge	-	-	-	-	-	-	-	-	-	-
Hampton	-	-	-	-	-	-	-	-	-	-
Locust Grove	-	-	-	-	-	-	-	-	-	-
LOST Reduction	(2.82)	(2.89)	(2.93)	(3.17)	(2.92)	(2.92)	(3.14)	(4.02)	(4.21)	(4.09)
Police Protection	-	-	-	-	-	-	1.72	1.91	1.94	1.92
Fire Protection	2.02	1.18	1.21	1.16	1.22	1.22	1.15	1.02	0.68	0.60
Planning & Development	-	0.02	-	-	-	-	0.23	0.14	0.10	0.02
Water Authority	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Hospital Authority	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.00	0.00	0.00
Board of Education										
Maintenance & Operations	18.90	19.40	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
Debt Service	3.06	3.06	3.06	3.06	3.06	3.06	3.06	3.63	3.63	3.63
State of Georgia	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.20	0.15	0.10
Total Unincorporated	36.45	36.95	37.51	37.51	37.28	37.28	38.06	40.33	40.28	40.03
Total Municipalities (3)										
McDonough	35.33	37.03	37.48	37.58	38.14	38.14	38.42	41.65	41.58	41.32
Stockbridge	36.45	36.95	37.47	37.51	37.02	37.02	38.06	40.33	40.28	40.03
Hampton	34.67	35.65	36.23	36.29	36.17	36.17	36.35	38.34	38.29	38.04
Locust Grove	34.80	35.67	35.69	36.29	35.87	35.87	36.11	38.28	38.08	37.83

Source: Henry County Tax Commissioner

- (1) Insurance reduction is applied only to unincorporated rates.
- (2) Fire protection included in City of McDonough rate.
- (3) Beginning in 2000, all cities except Stockbridge received a reduction for police services.
- (4) Beginning in 2006, the Cities of McDonough and Hampton received a rollback for Planning and Development

NOTE: Information provided includes all of Henry County and not only related to Henry County Water Authority

HENRY COUNTY WATER AUTHORITY

PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Georgia Power Company	\$ 35,844,406	1	0.77	\$ 19,154,273	4	0.44
Henry Co Development Authority	31,473,210	2	0.68	-		-
Kens Foods, INC	27,190,327	3	0.59	13,930,393	6	0.32
Atlanta Motor Speedway	24,699,200	4	0.53	20,309,250	3	0.47
Georgia Crown	22,421,982	5	0.48	-		-
Norfolk Southern Combined	21,406,454	6	0.46	-		-
US Industrial Reit II	18,610,360	7	0.40	-		-
Inland Western McDonough	17,966,994	8	0.39	-		-
Georgia Transmission Corp	17,053,068	9	0.37	-		-
Trees of Avalon LLC	16,979,867	10	0.37	-		-
Cardinal Health 103, Inc	-		-	85,632,551	1	1.98
Bellsouth	-		-	21,705,319	2	0.50
Toys R Us	-		-	11,225,708	10	0.26
Henry Town Center LLC, et al	-		-	18,864,440	5	0.44
Istar Financial Inc.	-		-	13,587,200	7	0.31
Weeks Realty LP	-		-	13,058,360	8	0.30
TRU Properties Inc.	-		-	12,028,760	9	0.28
Totals	\$ 233,645,868		5.03 %	\$ 229,496,254		4.06 %

The fiscal year 2014 total taxable assessed value is: 4,641,027,111
The fiscal year 2005 total taxable assessed value is: 4,332,578,950

Source: Henry County Tax Commissioner

NOTE: Information provided includes all of Henry County and not only related to Henry County Water Authority

**HENRY COUNTY WATER AUTHORITY
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	149,456,772	139,171,748	93.1	5,222,567	144,394,315	96.6
2006	167,000,428	163,055,967	97.6	3,270,634	166,326,601	99.6
2007	189,356,554	183,717,413	97.0	4,286,214	188,003,627	99.3
2008	209,079,707	198,038,407	94.7	5,750,090	203,788,497	97.5
2009	224,099,576	211,348,395	94.3	9,633,458	220,981,853	98.6
2010	232,661,093	220,510,188	94.8	12,162,480	232,672,668	100.0
2011	205,764,434	193,893,667	94.2	11,764,074	205,657,741	99.9
2012	190,525,178	181,582,275	95.3	8,481,108	190,063,383	99.8
2013	171,146,444	165,774,289	96.9	5,875,203	171,649,492	100.3
2014	172,499,793	167,977,729	97.4	4,084,658	172,062,387	99.7

Source: Henry County Tax Commissioner

NOTE: Information provided includes all of Henry County and not only related to Henry County Water Authority

HENRY COUNTY WATER AUTHORITY

TEN LARGEST CUSTOMERS CURRENT YEAR AND NINE YEARS AGO

Water

	2014		2005
Board of Education	\$ 898,305	Board of Education	\$ 490,174
City of Hampton	539,306	City of Stockbridge	437,686
City of Stockbridge	518,346	City of Hampton	325,239
Ken's Foods, Inc	433,398	Atlas Roofing	161,993
Henry Medical Center	267,788	Henry Medical Center	144,382
Henry County BOC	169,655	Ken's Foods, Inc	143,384
City of McDonough	148,129	Preston Creek Apts	92,090
Preston Creek Apts	128,684	Bridgemill (Saddlecreek) Apts	73,294
Amber Chase Apts	124,089	Connor & Murphy (St Ives)	61,568
Wilwat Properties (Trees of Avalon Apts)	115,470	City of McDonough	50,042
	\$ 3,343,170		\$ 1,979,852
% of total Water Revenue	9.9%		9.5%

Sewer

	2014		2005
Board of Education	\$ 412,408	Board of Education	\$ 139,392
Ken's Foods, Inc	301,986	Ken's Foods, Inc	106,930
Henry Medical Center	212,459	Henry Medical Center	104,253
Henry County BOC	119,424	Bridgemill (Saddlecreek) Apts	67,052
Preston Creek Apts	113,260	Preston Creek Apts	58,746
Sable Chase Apts	105,617	Connor & Murphy (St Ives)	52,384
Wilwat Properties (Trees of Avalon Apts)	102,080	Henry County BOC	51,276
Hollingsworth Capital Parp	98,834	Sable Chase Apts	45,112
Amber Chase Apts	97,824	City of Hampton	43,223
Bridgemill (Saddlecreek) Apts	93,831	Atlas Roofing	40,565
	\$ 1,657,723		\$ 708,933
% of total Sewer Revenue	13.1%		11.9%

Source: Henry County Water Authority historical financial records.

DEBT CAPACITY

These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.

HENRY COUNTY WATER AUTHORITY
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS

<u>Fiscal Year</u>	<u>Jr. Lien Revenue Bonds</u>	<u>Sr. Lien Revenue Bonds</u>	<u>Total Revenue Bonds</u>	<u>GEFA Notes</u>	<u>Total Outstanding Debt</u>	<u>Percentage of Personal Income</u>	<u>Population</u>	<u>Debt per Capita</u>
2005	\$ -	\$ 170,875,000	\$ 170,875,000	\$ 53,957,820	\$ 224,832,820	4.98%	168,204	1,337
2006	-	166,980,000	166,980,000	70,540,487	237,520,487	4.97%	177,436	1,339
2007	-	163,960,000	163,960,000	91,752,681	255,712,681	5.07%	186,308	1,373
2008	-	159,675,000	159,675,000	96,805,241	256,480,241	4.86%	195,623	1,311
2009	-	155,150,000	155,150,000	111,630,461	266,780,461	5.77%	201,343	1,325
2010	-	146,850,000	146,850,000	126,967,301	273,817,301	3.23%	194,400	1,409
2011	-	141,960,000	141,960,000	135,834,524	277,794,524	2.86%	207,800	1,337
2012	-	136,365,000	136,365,000	131,800,367	268,165,367	4.24%	209,500	1,280
2013	70,100,000	130,695,000	200,795,000	55,911,042	256,706,042	4.73%	209,053	1,228
2014	65,900,000	125,380,000	191,280,000	53,469,825	244,749,825	3.80%	211,128	1,159

Note: The only pledged revenue debt is Revenue Bond debt.

HENRY COUNTY WATER AUTHORITY
PLEDGED REVENUE COVERAGE
LAST TEN YEARS

Fiscal Year	Gross Revenues				Operating Expenses (Excluding Depreciation)	Net Available Revenues	Debt Service			Coverage Ratio
	Operating Revenues	Other Income	Property Taxes	Impact Fees			Principal	Interest	Total	
2005	\$ 27,950,479	\$ 1,702,995	\$ 10,787,510	\$ 7,865,973	\$ 19,667,786	\$ 28,639,171	\$ 3,150,000	\$ 8,714,479	\$ 11,864,479	2.41
2006	32,733,003	2,319,989	11,834,752	8,840,607	21,302,100	34,426,251	2,915,000	8,632,675	11,547,675	2.98
2007	36,018,346	4,244,920	13,009,313	5,908,273	23,400,032	35,780,820	4,095,000	8,532,190	12,627,190	2.83
2008	35,702,127	2,687,893	13,904,173	6,108,482	26,144,686	32,257,989	4,285,000	7,971,047	12,256,047	2.63
2009	37,346,288	1,005,518	14,919,553	1,051,561	29,157,471	25,165,449	4,525,000	7,973,590	12,498,590	2.01
2010	39,961,912	487,304	14,630,934	1,357,251	29,178,298	27,259,103	4,730,000	7,775,799	12,505,799	2.18
2011	43,595,126	325,691	12,738,735	952,480	28,684,590	28,927,442	4,890,000	7,501,931	12,391,931	2.33
2012	45,967,528	14,045	11,951,771	1,514,751	27,976,977	31,471,118	4,930,000	7,407,229	12,337,229	2.55
2013	46,381,388	70,592	10,623,066	1,516,803	27,456,512	31,135,337	1,430,000	6,246,453	7,676,453	4.06 ⁽¹⁾
2014	48,489,781	29,962	9,386,971	2,788,161	28,522,634	32,172,241	9,515,000	7,687,046	17,202,046	1.87 ⁽²⁾

Note: The only pledged revenue debt is Revenue Bond debt.

⁽¹⁾ During fiscal year 2013, the Authority refunded certain amounts of its outstanding debts resulting in a reduction of the current year debt service requirements.

⁽²⁾ The fiscal year 2014 ratio includes both Jr. and Sr. Lien Bond debt. The ratio excluding Jr. Lien debt is 2.42.

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

HENRY COUNTY WATER AUTHORITY

PRINCIPAL EMPLOYERS CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2014			2005		
	Employees (1)	Rank	Percentage of Total County Employment (2)	Employees (3)	Rank	Percentage of Total County Employment (2)
Henry County Board of Education	6,000	1	6.17 %	3,784	1	4.76 %
Henry County Board of Commissioners	1,566	2	1.61	1,418	2	1.78
WalMart Supercenter	1,373	3	1.41	1,010	4	1.27
Piedmont Henry	1,281	4	1.32	1,287	3	1.62
Federal Aviation Administration	800	5	0.82	533	6	0.67
PVH	660	6	0.68			
Georgia Power Company	600	7	0.62	458	7	0.58
Briggs & Stratton/fka/Snapper	483	8	0.50	457	8	0.57
Southern States, Inc	458	9	0.47			
Home Depot DFC #6777	350	10	0.36			
Suntrust Bank				700	5	0.88
Toys R Us				450	9	0.57
Aero Plastics, Inc				350	10	0.44
Totals	<u>13,571</u>		<u>13.96 %</u>	<u>10,447</u>		<u>13.14 %</u>

(1) Source: Henry County Development Authority

(2) Source: U.S. Bureau of Labor Statistics - Henry County Employment 80,000 (2005); Georgia DOL, workforce 98,567 (2014)

(3) Source: Hospital Authority of Henry County Revenue Certificates Series 1999

NOTE: Information provided includes all of Henry County and not only related to Henry County Water Authority

HENRY COUNTY WATER AUTHORITY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Population (1)	Personal Income (Amounts Expressed in Thousands) (2)	Per Capita Personal Income (2)	Median Age (3)	School Enrollment (4)	Unemployment Rate (5)
2005	168,204	4,512,241	26,826	33.4	32,413	5.1
2006	177,436	4,781,900	26,950	33.4	37,350	4.4
2007	186,308	5,045,593	27,082	33.4	38,969	4.4
2008	195,623	5,282,603	27,004	33.4	38,421	5.9
2009	201,343	4,619,815	22,945	33.4	40,370	10.1
2010	194,400	8,475,840	43,600	33.4	40,791	10.0
2011	207,800	9,728,780	46,818	31	40,951	10.9
2012	209,500	6,330,671	30,218	35	40,290	9.5
2013	209,053	5,424,716	25,949	45	40,440	8.0
2014	211,128	6,446,160	30,532	37	42,034	7.8

(1) Source: Bureau of Economic Analysis: Regional Economic Accounts 2005-2007, Atlanta Regional Commission 2008-2013, U.S. Census Bureau 2014.

(2) Source: U. S. Bureau of Labor Statistics

(3) Source: U. S. Census Bureau

(4) Source: Henry County Board of Education 2005 - 2013 and U.S. Census Bureau 2014.

(5) Source: Georgia Department of Labor

NA: Data was not readily available.

NOTE: 2008 - 2013 population, per capita, and personal income are estimates based on past regional trends.

NOTE: 2008, 2009, and 2010 school enrollment is based on 9th month of the school year.

OPERATING INFORMATION

These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

HENRY COUNTY WATER AUTHORITY
FULL TIME EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Water Treatment	21	26	29	31	31	31	35	34	25	30
Customer Service & Connection	31	34	35	34	34	32	29	27	28	28
Waste Water Treatment	30	31	31	32	31	31	35	32	31	31
Repairs & Maintenance	71	74	82	89	90	81	84	85	93	86
Administrative, Engineering & Info Tech	37	41	49	51	50	47	38	38	38	40
	190	206	226	237	236	222	221	216	215	215

Source: Henry County Water Authority historical financial records.

HENRY COUNTY WATER AUTHORITY
WATER TANK STORAGE CAPACITY
LAST TEN FISCAL YEARS
(ALL NUMBERS EXPRESSED IN THOUSANDS OF GALLONS)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Ground level tanks:										
Hwy 81	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Hampton	300	300	300	300	300	300	300	300	300	300
East Lake	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
East Lake		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
	<u>6,300</u>	<u>11,300</u>	<u>11,300</u>	<u>11,300</u>	<u>11,300</u>	<u>11,300</u>	<u>11,300</u>	<u>11,300</u>	<u>11,300</u>	<u>11,300</u>
Elevated tanks:										
Patillo	500	500	500	500	500	500	500	500	500	500
Hwy 81	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Mt Olive	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Hudson Bridge	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Hudson Bridge	500	500	500	500	500	500	500	500	500	500
Fairview	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Panola	200	200	200	200	200	200	200	200	200	200
Kelly Road	500	500	500	500	500	500	500	500	500	500
N E		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
	<u>5,700</u>	<u>6,700</u>	<u>6,700</u>	<u>6,700</u>	<u>6,700</u>	<u>6,700</u>	<u>6,700</u>	<u>6,700</u>	<u>6,700</u>	<u>6,700</u>
Storage at Water Plants:										
Towaliga	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Tussahaw			6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
	<u>5,500</u>	<u>5,500</u>	<u>11,500</u>	<u>11,500</u>	<u>11,500</u>	<u>11,500</u>	<u>11,500</u>	<u>11,500</u>	<u>11,500</u>	<u>11,500</u>
Total Water Tank Storage Capacity	<u>17,500</u>	<u>23,500</u>	<u>29,500</u>	<u>29,500</u>	<u>29,500</u>	<u>29,500</u>	<u>29,500</u>	<u>29,500</u>	<u>29,500</u>	<u>29,500</u>

Source: Henry County Water Authority historical financial records.

HENRY COUNTY WATER AUTHORITY
RAW WATER SUPPLY IN RESERVOIRS
LAST TEN FISCAL YEARS
(ALL NUMBERS EXPRESSED IN THOUSANDS OF GALLONS)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Reservoirs										
Gardner	733,500	733,500	733,500	733,500	733,500	733,500	733,500	733,500	733,500	733,500
Longbranch	1,502,860	1,502,860	1,502,860	1,502,860	1,502,860	1,502,860	1,502,860	1,502,860	1,502,860	1,502,860
Upper Towaliga	5,965,800	5,965,800	5,965,800	5,965,800	5,965,800	5,965,800	5,965,800	5,965,800	5,965,800	5,965,800
Lower Towaliga	138,550	138,550	138,550	138,550	138,550	138,550	138,550	138,550	138,550	138,550
Tussahaw	-	-	9,780,000	9,780,000	9,780,000	9,780,000	9,780,000	9,780,000	9,780,000	9,780,000
Total supply	<u>8,340,710</u>	<u>8,340,710</u>	<u>18,120,710</u>	<u>18,120,710</u>	<u>18,120,710</u>	<u>18,120,710</u>	<u>18,120,710</u>	<u>18,120,710</u>	<u>18,120,710</u>	<u>18,120,710</u>
Percent allowed for withdrawal	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Water available for use	<u>6,672,568</u>	<u>6,672,568</u>	<u>14,496,568</u>	<u>14,496,568</u>	<u>14,496,568</u>	<u>14,496,568</u>	<u>14,496,568</u>	<u>14,496,568</u>	<u>14,496,568</u>	<u>14,496,568</u>
Average daily flow										
Average daily production	15,125	16,387	16,896	16,144	16,869	15,867	16,553	16,451	15,553	15,753
Daily Release downstream	<u>5,380</u>	<u>5,380</u>	<u>8,280</u>	<u>8,280</u>	<u>8,280</u>	<u>8,280</u>	<u>8,280</u>	<u>8,280</u>	<u>8,280</u>	<u>8,280</u>
Total daily flow	<u>20,505</u>	<u>21,767</u>	<u>25,176</u>	<u>24,424</u>	<u>25,149</u>	<u>24,147</u>	<u>24,833</u>	<u>24,731</u>	<u>23,833</u>	<u>24,033</u>
Number of days supply	325	307	576	594	576	600	584	586	608	603

Source: Henry County Water Authority historical financial records.

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**To the Board of Directors of the
Henry County Water Authority
McDonough, 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 basic financial statements of the Henry County Water Authority (the "Authority"), a component unit of Henry County, Georgia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 2, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report includes a reference to the change in accounting principle resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Mauldin & Jenkins, LLC

Macon, Georgia
December 2, 2014

HENRY COUNTY WATER AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2014

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

___ yes X no

Reportable conditions identified not considered
to be material weaknesses?

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards

There was not an audit of major federal award programs as of June 30, 2014 due to the total amount expended being less than \$500,000.

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.

STATUS OF PRIOR YEAR AUDIT FINDINGS

None reported.