

A Component Unit of Henry County, GA

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

Comprehensive Annual Financial Report

Year Ended June 30, 2015

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, 2015

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Letter of Transmittal	i – viii
Listing of Principal Officers	ix
Organizational Chart	x
GFOA Certificate of Achievement.....	xi

FINANCIAL SECTION

Independent Auditor’s Report	1 – 3
Management’s Discussion and Analysis	4 – 11
Financial Statements	
Statement of Net Position	12 and 13
Statement of Revenues, Expenses and Changes in Net Position	14
Statement of Cash Flows	15 and 16
Notes to Financial Statements	17 – 36
Required Supplementary Information	
Schedule of Changes in the Authority’s Net Pension Liability and Related Ratios.....	37
Schedule of Authority Contributions – Pension Plan.....	38
Schedule of Funding Progress – Other Post-Employment Benefit Plan.....	39

STATISTICAL SECTION

Statistical Section Contents.....	40
Financial Trends.....	41
Net Position by Component	42
Changes in Net Position	43
Operating Revenues by Source	44
Operating Expenses by Function	45
Non-operating Revenues (Expenses).....	46
Capital Contributions from Developers and Impact Fees	47
Revenue Capacity	48
Water Capacity Compared with Annual Average Daily Flow.....	49
Sewerage Treatment Capacity Compared with Annual Average Daily Flow	50
New Water Meters Added to the System.....	51
Number of Customers	52
Residential Water and Sewerage Rates	53
Commercial Water and Sewerage Rates	54
Assessed Value and Estimated Actual Value of Taxable Property.....	55
Direct and Overlapping Property Tax Rates	56
Principal Property Taxpayers	57

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2015

TABLE OF CONTENTS (CONTINUED)

Page

STATISTICAL SECTION (Continued)

Revenue Capacity (Continued)	
Property Tax Levies and Collections.....	58
Ten Largest Customers	59
Debt Capacity	60
Ratios of Outstanding Debt by Type	61
Pledged Revenue Coverage	62
Demographic and Economic Information.....	63
Principal Employers	64
Demographic and Economic Statistics	65
Operating Information	66
Full Time Employees by Function	67
Water Tank Storage Capacity	68
Raw Water Supply in Reservoirs	69

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 <i>Government Auditing Standards</i>.....	70 and 71
Schedule of Findings and Responses	72 and 73

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 1, 2015

Board of Directors, HCWA
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 Authority for the fiscal year ended June 30, 2015. 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 fiscal year ending June 30, 2015. 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 (HCWA) 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. In April, 2013, new legislation was signed into law, the purpose of which was to: 1) change the Authority's name from 'Henry County Water & Sewerage Authority' to simply 'Henry County Water Authority', and; 2) to more clearly define and enhance 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.

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 14.7 million gallons per day (MGD) during FY 2015, the reservoirs provide a 631 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, 29.2 million gallons of potable water can be stored in 9 elevated tanks, 3 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 21,000 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 FY 2014 was 5.9 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 '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

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 requires all commercial and industrial customers to meet the discharge requirements delimited in the Sewer Use Ordinance.

The Authority won the Georgia Association of Water Professionals (GAWP) award for best tasting drinking water in the State of Georgia in 2015. The Authority's water distribution system won the Gold award from GAWP. The Authority's wastewater collection system won the Gold award for the fourth consecutive year. The Authority's Towaliga Water Treatment Plant won the Plant of the Year award for water treatment plants; the Walnut Creek Wastewater Treatment Plant won the Plant of the Year award for wastewater treatment plants. The Authority's water production Laboratory at Tussahaw Water Treatment Plant won the Lab of the year award. The Authority also received GAWP Platinum Awards for eight straight years of 100% permit compliance at both Tussahaw and Towaliga Water Treatment Plants. The Authority's Consumer Confidence Report won the GAWP award as the best in the State for the second consecutive year. Additionally, the Authority is one of only 28 Water Utilities in Georgia to currently hold the 'WaterFirst Community' designation from the Georgia Department of Community Affairs.

Several employees of the Authority received awards from GAWP as well: one being inducted into the Golden Manhole Society; another selected for the Golden Wrench Award; and another selected for the distinguished Elizabeth McEntire award which is given to one individual in the State per year who excels in the operation of a public water system in Georgia.

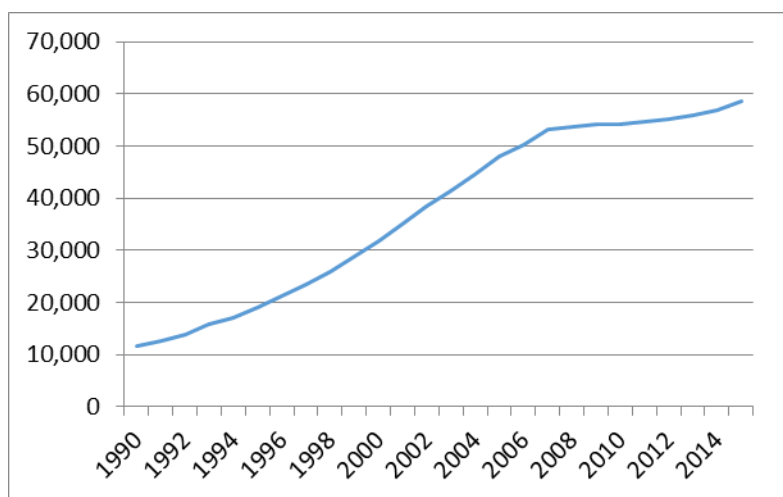
The Authority maintains an aggressive preventive maintenance program for all water plants, storage tanks, booster pump stations, water transmission, distribution and service lines, wastewater treatment plants, lift stations, sewerage gravity lines and force mains, reservoirs, dams, spillways, and other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

Current Economic Environment

The graph below displays the Authority's customer growth since 1990. The economic downturn that occurred during 2007 can be seen by the very dramatic change in customer growth that happened at that time. A correct understanding of the current economic environment involves more than simply looking at conditions in the current year. Decisions made in past years affect current and future years. Leading up to 2007, the Authority's customer base was growing rapidly and the Authority was rapidly adding capacity to keep pace with this growth in order to provide needed water and sewer services. That meant huge infrastructure expansions, additional debt, and hiring new employees.

Beginning in 2007, the customer growth rate flattened out. At that time the Authority was in the process of some significant infrastructure upgrades (Tussahaw Water Treatment Plant, Walnut Creek Wastewater Treatment Plant expansion, and Bear Creek Wastewater Treatment Plant expansion) that were completed after the change in the economy. The result was that the excess capacity created by these upgrades would last for a much longer time than originally projected. But it also meant that the additional debt acquired to construct these upgrades would have to be paid with revenues from a smaller customer base than originally projected.

A major update to the Capital Improvement Plan had just been completed prior to the flattening out of the growth curve in 2007. This update was based on the expectation that customer growth would continue to increase at a rate only slightly less than previous history. It quickly became apparent that this expectation would not be realized. So, shortly after the completion of the Capital Improvement Plan update, many of the projects listed were postponed.



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. An

average of less than 500 meters per year were set during the six year period of 2008 through 2013. Meter sets began trending upward in 2014, and totaled over 1,700 during 2015.

Water Conservation – This concept continues to be 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 for 8 years. Since 2006, water production has essentially remained at approximately 16.5 mgd (million gallons per day), except for the last three fiscal years when the number actually decreased to 15.6 mgd, 15.8 mgd, and 14.7 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. Florida and Alabama are seeking a ruling that would drastically reduce the quantity of water that metro Atlanta water providers would be permitted to withdraw from the Chattahoochee basin. The State of Georgia, on the other hand, believes that water withdrawals by metro area water providers are entirely reasonable and should be allowed to increase in accordance with population growth. Further, the State understands the need to exercise good stewardship of these water resources, and the rules and conservation measures that are in place enable the State to make a strong case in its defense.

The Henry County Water Authority is not dependent on the water sources of the Chattahoochee basin, as over 99% of the water supply of Henry County comes from reservoirs developed by the Authority in the southern part of Henry County, from streams that originate in the 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. Any withdrawal limitations imposed on the Chattahoochee basin should have minimal direct impact on the Henry County Water Authority, other than the Authority would have to add some infrastructure to supply this small high elevation area from the Authority's own sources. Nonetheless, Henry County is part of the metro Atlanta region, and is thus included in any water conservation regulations imposed on the metro Atlanta region.

Water conservation measures have both positive and negative consequences for water providers. Although water conservation can foster some long range benefits, such as delaying the need to develop the next expensive water supply source, decreased water use because of conservation measures also means decreased revenue.

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 was easing. More new meters were set, vacant home inventory decreased, and the number of foreclosures and bankruptcies decreased. This positive trend in FY 2013 continued during 2014 and accelerated during the current fiscal year. Property tax digest values increased slightly in FY 2014 after four years of decline, followed by an increase of 12% during FY 2015, and are expected to increase by an additional 11% during FY 2016.

The increase in the customer base during FY 2015 was 3%. This is a comfortable rate of growth for the Authority— not so fast as to necessitate massive infrastructure expansions and the associated debt, but enough to generate additional revenue, without using up available capacity too quickly. However, the Authority must be ready to accommodate continued moderate growth, or ramp up to meet the demands of accelerated 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, the knowledge/skill level of employees is strong, 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 near future. In short, the Authority is in as good a position as possible to respond to whichever economic condition prevails.

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 not dependent on the currently disputed waters of the Chattahoochee basin. 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 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

Over the past several years the Authority has undertaken six refinancings and achieved over \$20 million gross savings (\$15 million in net present value savings), as shown 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 concluded a major update of its 30 year Capital Improvement Plan during 2015. The last major update was done in 2007. Below, expressed in millions of dollars, are the amounts expected to be spent by the Authority over the next 30 years (future dollars based on annual inflation rate of 3%).

Year	Water	Wastewater	Total
2016 - 2020	\$31.6	\$35.1	\$66.7
2021 - 2025	63.0	68.0	131.0
2026 - 2030	48.7	38.0	86.7
2031 - 2035	34.0	58.7	92.7
2036 - 2040	29.1	5.0	34.1
2041 - 2045	30.0	66.0	96.0
2015 dollars	\$236.4	\$270.8	\$507.2
Future dollars	\$369.6	\$440.6	\$810.2

Some of the bigger projects included in the numbers above are (2015 dollars):

- \$18.0 Indian Creek WWTP expansion from 1.5 mgd to 3.0 mgd (2016-2020)
- \$48.0 Walnut Creek WWTP expansion from 8 mgd to 12 mgd (2021-2025)
- \$48.0 Walnut Creek WWTP expansion from 12 mgd to 16 mgd (2031-2035)
- \$48.0 Walnut Creek WWTP expansion from 16 mgd to 20 mgd (2041-2045)
- \$27.6 Tussahaw WTP upgrade from 13 mgd to 26 mgd (2021-2025)
- \$20.0 Tussahaw WTP upgrade from 26 mgd to 36 mgd (2031-2035)
- \$20.0 Tussahaw WTP upgrade from 36 mgd to 46 mgd (2041-2045)
- \$20.0 Big Cotton Indian Creek Pump Station upgrade (2026-2030)
- \$30.0 Metering system upgrades (2016-2030)
- \$60.0 Water distribution system improvements, including pipe replacement (2016-2045)
- \$30.0 Sewer Collection system improvements (2016-2045)

All projects in the 30 year Capital Improvement Plan will actually be constructed when demand on the system warrants that it is time to go ahead with them. The dates associated with the projects are the best current estimate of when that will be, and are subject to change.

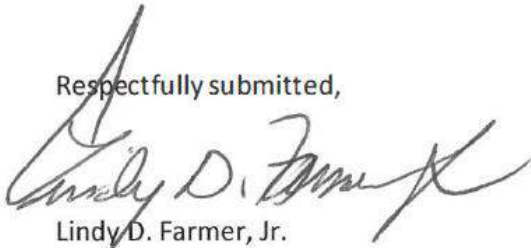
Authority staff carefully evaluate ongoing and upcoming projects on a monthly basis. The Authority adjusts the timing of projects in the capital improvement plan in an effort to match them with anticipated growth in the customer base that would create the need for the project. The Authority has a history of excellent planning and successfully executing those plans. As a result, adequate facilities are in place to meet the drinking water and wastewater treatment needs of Henry County.

Indian Creek WWTP expansion is currently in the design phase. Meter system upgrades are scheduled to take place over the next 15 years, on a route by route basis. The Authority has 64 routes and is currently working on upgrades to the first route.

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 keeps the best interest of the citizens of Henry County foremost in mind, and does not lose 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

Jeff Allen - 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

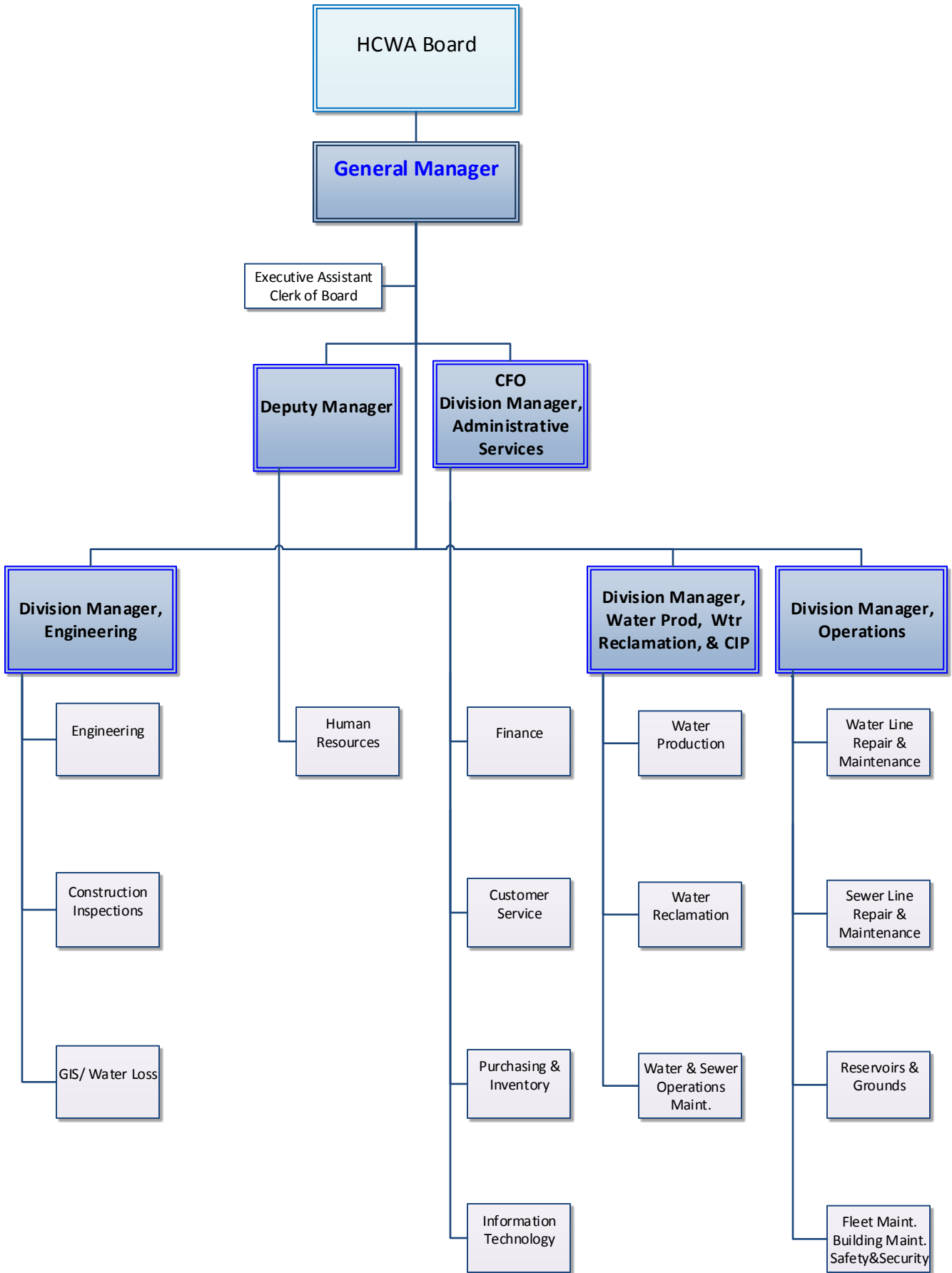
Legal Counsel:

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, 2014

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, 2015, 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, 2015, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 6 and 9, the Henry County Water Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of July 1, 2014. These standards significantly changed the accounting for the Authority's net pension liability and the related disclosures. 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 Schedule of Changes in the Authority's Net Pension Liability and Related Ratios, Schedule of Authority Contributions – Pension Plan, and Schedule of Funding Progress – Other Post- Employment Benefit Plan (on pages 37 through 39) 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 1, 2015, 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 1, 2015

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, 2015. We encourage readers to consider the information presented here in conjunction with the financial statements, notes to the financial statements and statistical section.

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 \$15.3 million. Capital assets decreased, primarily because the increase in accumulated depreciation of \$30.7 million was greater than net additions of \$5.8 million to capital assets during the year. Prior to the implementation of GASB 68 in 2015, the Authority reported a net pension asset of \$5.8 million as an other long-term asset.

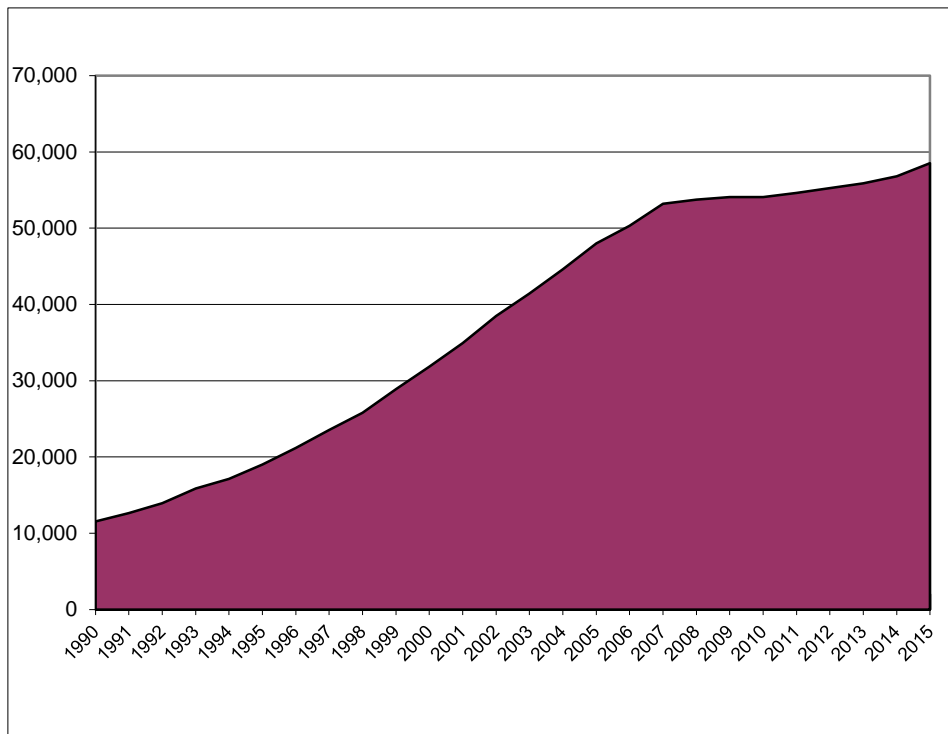
	<u>2015</u>	<u>2014</u>
Current assets	\$ 10,553,668	\$ 8,747,797
Restricted assets	94,547,233	80,997,730
Capital assets	370,660,806	395,595,928
Other long-term assets	-	5,856,003
Total assets	<u>475,761,707</u>	<u>491,197,458</u>
Deferred refunding charges	5,903,017	6,488,060
Deferred outflows related to pensions	1,120,907	-
Total deferred outflows of resources	<u>7,023,924</u>	<u>6,488,060</u>
Current liabilities	22,543,724	21,515,378
Long-term liabilities	236,799,479	245,902,130
Total liabilities	<u>259,343,203</u>	<u>267,417,508</u>
Deferred inflows related to pensions	2,103,481	-
Total deferred inflows of resources	<u>2,103,481</u>	<u>-</u>
Net investment in capital assets	149,576,330	163,916,454
Restricted for debt service	73,776,950	56,308,020
Unrestricted	(2,014,333)	10,043,536
Total net position	<u>\$ 221,338,947</u>	<u>\$ 230,268,010</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (Continued)

No additional debt was issued during the year and the reduction in long term liabilities reflects payments made on existing Revenue Bonds and long-term GEFA loans.

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 2015. The pace of the growth leveled off substantially beginning in 2007. During the seven year period from 2007 through 2014, the Authority added an average of 515 new customers per year to the system, compared to averaging 3,054 new customers annually during the seven year period immediately preceding. The pace of growth quickened in 2015 with the addition of 1,721 customers.



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 58,536 in 2015. 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

Overview of the 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.

	2015	2014
Operating revenues:		
Water revenues	\$ 36,473,745	\$ 33,706,604
Sewerage revenue	13,740,887	12,686,632
Connection fees	340,685	294,935
Other fees and charges	1,800,736	1,801,610
	52,356,053	48,489,781
Operating expenses:		
Water treatment	4,796,858	4,619,218
Water purchase	176,514	169,601
Customer service and connection	3,406,955	3,181,745
Wastewater treatment	4,834,437	4,694,587
Repairs and maintenance	10,230,372	9,545,281
Administrative and engineering	5,349,187	4,987,815
Depreciation	30,998,869	31,074,795
Information technology	1,481,645	1,324,387
	61,274,837	59,597,429
Operating loss	(8,918,784)	(11,107,648)
Non-operating revenues (expenses):		
Real property taxes	10,509,669	9,386,971
Motor vehicle and other taxes	1,142,548	1,295,644
Interest income	47,831	29,962
Interest expense and fiscal charges	(8,549,199)	(9,091,132)
Gain on disposal of capital assets	28,379	(4,412,768)
	3,179,228	(2,791,323)
Loss before contributions	(5,739,556)	(13,898,971)
Capital contributions	10,127,624	4,443,957
Change in net position	4,388,068	(9,455,014)
Total net position, beginning	216,950,879	239,723,024
Total net position, ending	\$ 221,338,947	230,268,010
Restatement, new pension standard		(13,317,131)
Total net position, ending, as restated		\$ 216,950,879

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (Continued)

Water revenues – Water revenues were 8.2% higher in 2015 than in 2014. The addition of 1,721 new customers during 2015 plus a 5% rate increase implemented November 2014 on commercial customers accounts for some of this increase. 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 in.

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, 2015, 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. The Authority added 914 new sewerage customers to the system in 2015. A 5% rate increase took effect for all commercial customers in November 2014. Residential sewerage rates at June 30, 2015, 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 $\frac{3}{4}$ 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 \$707,000 in FY 2015. 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 \$534,000 was collected for that. Bad check fees, damage and tampering fees, plan review fees, non-compliance 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, three ground storage tanks and several booster pump stations. Actual water production during FY 2015 averaged 14.7 million gallons per day (mgd), compared to 15.8 mgd the previous year. In addition to its finished water production

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (Continued)

capability, contracts with neighboring Clayton and DeKalb counties enable the Authority to purchase finished water on an as needed basis. In fiscal year 2015, the Authority produced more than 99% of its total water requirements and purchased less than 1%.

The water treatment line for FY 2015 is 3.8% more than the previous year. Personnel costs were the largest component of this increase. Two new full time positions were added during the year.

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 70% of the increase in the Customer Service and Connections line in FY 2015 over the previous year. Increased residential and commercial construction necessitated the need to set more transmitters.

Wastewater treatment – The Authority operates three wastewater treatment plants (WWTP). The three plants together treated an average of 5.9 million gallons per day (mgd) of sewerage during FY 2015, similar to the 5.7 mgd treated the previous year. The Wastewater Treatment Department absorbed three full time employees in FY 2015, who were in the Industrial Monitoring Department (charged to Repairs & Maintenance Line) in FY 2014.

Repairs and maintenance - This is comprised of the following:

	<u>2015</u>	<u>2014</u>	<u>Difference</u>
Purchasing and inventory	\$ 558,737	\$ 547,870	\$ 10,867
Vehicle maintenance	770,082	753,540	16,542
Security & maintenance	649,832	540,569	109,263
Sewer line repair & maintenance	4,330,491	3,686,027	644,464
Industrial monitoring	-	321,645	(321,645)
Reservoir and grounds	1,184,324	916,455	267,869
Water line repair & maintenance	2,736,906	2,779,175	(42,269)
Total	<u>\$ 10,230,372</u>	<u>\$ 9,545,281</u>	<u>\$ 685,091</u>

Administration and Engineering - This line item includes Administration, Finance, Human Resources, Engineering, Inspections, Geographic Information Systems (GIS) and property & liability insurance. One new position was added in the Inspections Department. A few positions were filled which were previously vacant.

Depreciation – This is, by far, the Authority's single largest expense line item, accounting for 50% of the total operating expenses. The Authority owns over \$673 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 3 to 50 years.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the 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. However, this downward trend turned a corner with a 1% increase in FY 2014 and a very substantial 12% increase for FY 2015.

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. In 2014, motor vehicle tax made up 80% of this revenue line, and other taxes accounted for the remaining 20%. Beginning in April, 2015, the Henry County Tax Commissioner reduced our monthly receipts on motor vehicle tax by approximately 50%. This is discussed further in the section entitled 'Currently Known Conditions Affecting Further Operations' located on page 11 of the MD&A.

Interest Income - Funds are invested as permitted in accordance with Georgia Code Section 36-80-3. Bank charges of \$92,870 were netted on this line against interest earnings of \$140,701.

Interest expense and fiscal charges:

	2015	2014
Revenue bond interest expense	\$ 7,385,975	\$ 7,698,684
GEFA interest expense	1,563,520	1,637,956
Amortization of issuance costs	(404,689)	(249,798)
Fiscal agent fees	4,393	4,290
Total	\$ 8,549,199	\$ 9,091,132

Gain on disposal of property and equipment – As vehicles and equipment reach or exceed their useful lives and it becomes impracticable to continue to repair and maintain them, those items are declared to be surplus property and are sold at public auction. During 2015, we realized a gain of \$28,379 on such items sold. We recorded a large loss during the previous year as a result of the decommissioning of Springdale WWTP - \$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 commercial/industrial fees are \$350 per EDU for water and \$1,350 per EDU for sewer. 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.

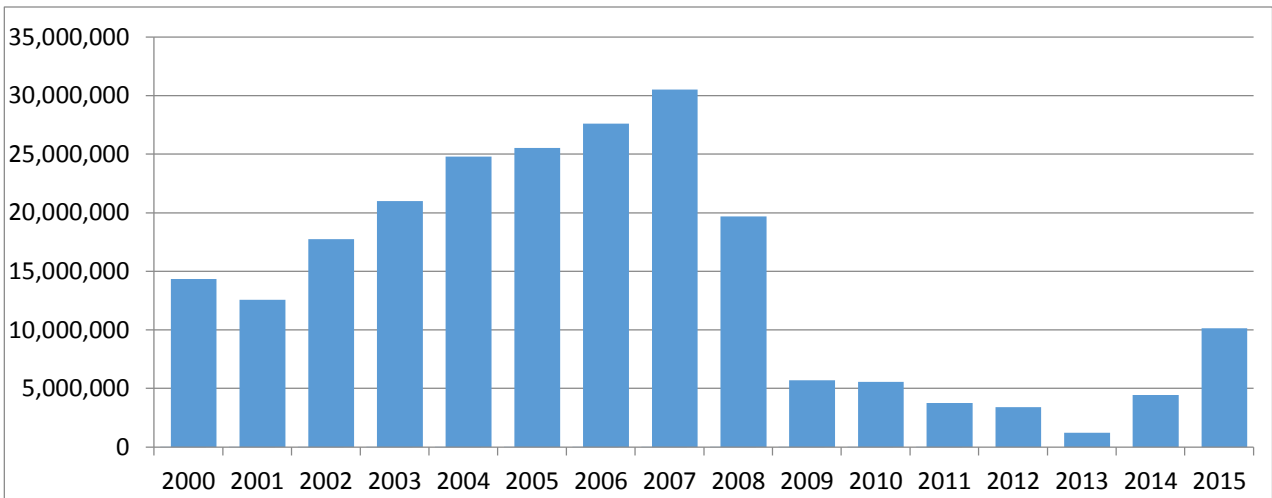
MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the 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.

	2015	2014
Impact fees	\$ 3,433,352	\$ 2,788,161
Contributions for project costs	3,888,394	1,655,796
Contributions in kind	2,805,878	-
Total	\$ 10,127,624	\$ 4,443,957

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. The increases in Contributions in FY 2014 and again in FY 2015 reflect 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, 2015 before accumulated depreciation is \$709,577,283. Net of accumulated depreciation, that number comes to \$370,660,806. The investment in capital assets includes land and easements, five reservoirs, buildings, two water treatment plants, water storage tanks, three wastewater treatment plants, system improvements, construction in progress, vehicles and equipment. The Authority added 4.7 miles of water main and 1.5 miles of sewerage main to the system during FY 2015.

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 2015. Principal payments of \$2,515,468 on GEFA loans and \$10,875,000 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 (the low point) than it did in FY 2009, the year before the Tax Digest began to fall. However, after four years of decline, revenue the Authority received from real property tax increased in FY 2014 over the previous year by 1%. FY 2015 real property tax revenue was 12% higher than in 2014. Further, real property tax due the Authority during our next fiscal year, as reported by the Henry County Tax Commissioner's Office, is approximately 11% higher than FY 2015.

The Authority receives a 2 mill tax on motor vehicles as well as on real property. During 2012, the State of Georgia created a 'Title Ad Valorem Tax' (TAVT) to take the place of motor vehicle tax on all vehicles purchased after March 1, 2013. The Henry County Tax Commissioner allocated a portion of the TAVT to the Authority each month through March, 2015. Since that date, the Tax Commissioner has not distributed any TAVT to the Authority. Prior to March, 2015 the Authority had been averaging more than \$80,000 per month from this distribution. After March, 2015 the monthly distribution is less than \$40,000. The Authority has requested the Tax Commissioner make the full distribution to the Authority and has asked the State Attorney General to render an opinion.

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, 2015

ASSETS	
CURRENT ASSETS	
Cash	\$ 1,857,210
Receivables, net of allowance for uncollectibles:	
Taxes	381,735
Interest	21,835
Accounts	7,320,724
Inventory	972,164
Restricted assets:	
Cash	22,329,454
Investments	72,217,779
	<hr/>
Total current assets	105,100,901
	<hr/>
CAPITAL ASSETS	
Land	34,968,336
Buildings	16,401,528
Improvements other than buildings	635,532,749
Machinery and equipment	17,197,526
Vehicles	4,155,347
Construction in progress	1,321,797
	<hr/>
	709,577,283
Less accumulated depreciation	338,916,477
	<hr/>
Total capital assets, net of accumulated depreciation	370,660,806
	<hr/>
Total assets	475,761,707
	<hr/>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred refunding charges	5,903,017
Pensions	1,120,907
	<hr/>
Total deferred outflows of resources	\$ 7,023,924
	<hr/>

See Notes to Financial Statements.

LIABILITIES	
CURRENT LIABILITIES	
Payable from current assets:	
Accounts payable	\$ 892,368
Compensated absences payable	789,869
Accrued expenses and other liabilities	572,333
Customer deposits payable	3,404,471
Accrued interest payable	126,328
Notes payable - current	2,590,528
	<u>8,375,897</u>
Payable from restricted assets:	
Revenue bonds payable	11,165,000
Accrued interest payable	3,002,827
	<u>14,167,827</u>
Total current liabilities	<u>22,543,724</u>
LONG-TERM LIABILITIES	
Notes payable	48,363,829
Revenue bonds payable, net	176,606,247
Compensated absences payable	329,678
OPEB obligation	6,776,010
Net pension liability, due in more than one year	4,723,715
	<u>236,799,479</u>
Total long-term liabilities	<u>236,799,479</u>
Total liabilities	<u>259,343,203</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	<u>2,103,481</u>
Total deferred inflows of resources	<u>2,103,481</u>
NET POSITION	
Net investment in capital assets	149,576,330
Restricted for debt service	73,776,950
Unrestricted	<u>(2,014,333)</u>
Total net position	<u>\$ 221,338,947</u>

HENRY COUNTY WATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FISCAL YEAR ENDED JUNE 30, 2015

Operating revenues:	
Charges for services:	
Water sales	\$ 36,473,745
Sewer sales	13,740,887
Connection fees	340,685
Other fees and charges	1,800,736
Total operating revenues	<u>52,356,053</u>
 Operating expenses:	
Water treatment	4,796,858
Water purchase	176,514
Customer service and connection	3,406,955
Waste water treatment	4,834,437
Repairs and maintenance	10,230,372
Administrative and engineering	5,349,187
Depreciation	30,998,869
Information technology	1,481,645
Total operating expenses	<u>61,274,837</u>
 Operating loss	 <u>(8,918,784)</u>
 Non-operating revenues (expenses):	
Real property taxes	10,509,669
Motor vehicle and other taxes	1,142,548
Interest income	47,831
Gain on disposal of capital assets	28,379
Interest expense and fiscal charges	(8,549,199)
Total non-operating revenues, net	<u>3,179,228</u>
 Loss before contributions	 <u>(5,739,556)</u>
 Capital contributions	 <u>10,127,624</u>
 Change in net position	 4,388,068
 Total net position, beginning, as restated	 <u>216,950,879</u>
 Total net position, ending	 <u><u>\$ 221,338,947</u></u>

See Notes to Financial Statements.

HENRY COUNTY WATER AUTHORITY

STATEMENT OF CASH FLOWS FISCAL YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 51,051,882
Payments to suppliers	(12,099,809)
Payments to employees	(18,475,737)
Net cash provided by operating activities	<u>20,476,336</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Taxes received	<u>11,677,224</u>
Net cash provided by noncapital financing activities	<u>11,677,224</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	(3,959,741)
Proceeds from the sale of capital assets	60,243
Principal payments on long-term borrowings	(13,390,468)
Interest paid on long-term borrowings	(9,088,115)
Capital contributions	7,991,756
Net cash used in capital and related financing activities	<u>(18,386,325)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>42,965</u>
Net cash provided by investing activities	<u>42,965</u>

Net increase in cash 13,810,200

Cash:

Beginning	<u>82,594,243</u>
Ending	<u>\$ 96,404,443</u>

Classified as:

Cash	\$ 1,857,210
Restricted assets:	
Cash	22,329,454
Cash equivalents included in investments	72,217,779
	<u>\$ 96,404,443</u>

HENRY COUNTY WATER AUTHORITY

STATEMENT OF CASH FLOWS FISCAL YEAR ENDED JUNE 30, 2015

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating loss	\$ (8,918,784)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	30,998,869
Changes in assets and liabilities:	
Increase in accounts receivable	(1,321,763)
Decrease in due from Henry County	17,592
Increase in inventory	(290,448)
Decrease in prepaid expenses	29,304
Increase in deferred outflows of resources	(16,357)
Increase in accounts payable and accrued expenses	404,942
Increase in customer deposits payable	458,162
Decrease in net pension liability	(3,841,963)
Increase in deferred inflows of resources	2,103,481
Increase in OPEB obligation	853,301
Net cash provided by operating activities	<u>\$ 20,476,336</u>

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

Capital contributions from developers	\$ 2,135,868
	<u>\$ 2,135,868</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's 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, 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 2014, and not collected by June 30, 2015, 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 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

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 reported two items that qualified for reporting in this category for the year ended June 30, 2015. Those items are deferred bond refunding charges and the items related to the changes in the net pension liability discussed below.

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. Other than the items related to the

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

changes in the net pension liability, as discussed below, the Authority did not have any items that qualified for reporting in this category for the year ended June 30, 2015.

The Authority also has deferred inflows and outflows related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the Authority's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the Authority to the pension plan before year end but subsequent to the measurement date of the Authority's net pension liability are reported as deferred outflows of resources.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Henry County Water Authority Retirement Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2015, are summarized as follows:

As reported in the Statement of Net Position:

Cash	\$ 1,857,210
Restricted:	
Cash	22,329,454
Investments	72,217,779
	\$ 96,404,443
Cash deposited with financial institutions	\$ 24,186,664
Cash deposited with Georgia Fund 1	72,217,779
	\$ 96,404,443

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, 2015, the Authority's investment in Georgia Fund 1 was rated AAf by Standard & Poor's.

At June 30, 2015, the Authority had the following investments:

Investment	Maturities	Fair Value
Georgia Fund 1	56 day weighted average	\$ 72,217,779
Total		\$ 72,217,779

Georgia Fund 1, created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard & Poor's criteria for AAf rated money market funds. The investment in Georgia Fund 1 represents the Authority's portion of a pooled investment account operated by the Office of the State Treasurer. The pool consists of U.S. treasury obligations, securities issued or guaranteed by the U.S. government or any of its agencies or instrumentalities, banker's acceptances, overnight and term repurchase agreements with highly rated counterparties, and collateralized bank accounts. The investment in the Georgia Fund 1 is valued at fair market value. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2015, 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, 2015:

Receivables:	
Taxes	\$ 402,539
Interest	21,835
Accounts	7,464,224
Gross receivables	<u>7,888,598</u>
Less allowance for uncollectibles	(164,304)
Net total receivables	<u>\$ 7,724,294</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 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	\$ 34,882,267	\$ 86,069	\$ -	\$ -	\$ 34,968,336
Construction in progress	3,013,188	2,732,837	-	(4,424,228)	1,321,797
Total	<u>37,895,455</u>	<u>2,818,906</u>	<u>-</u>	<u>(4,424,228)</u>	<u>36,290,133</u>
Capital assets, being depreciated:					
Buildings	16,187,335	214,193	-	-	16,401,528
Improvements other than buildings	628,974,209	2,134,312	-	4,424,228	635,532,749
Machinery and equipment	16,705,545	540,489	(48,508)	-	17,197,526
Vehicles	4,004,518	387,709	(236,880)	-	4,155,347
Total	<u>665,871,607</u>	<u>3,276,703</u>	<u>(285,388)</u>	<u>4,424,228</u>	<u>673,287,150</u>
Less accumulated depreciation for:					
Buildings	(6,429,696)	(773,108)	-	-	(7,202,804)
Improvements other than buildings	(287,807,052)	(27,237,130)	-	-	(315,044,182)
Machinery and equipment	(10,118,242)	(2,873,539)	16,646	-	(12,975,135)
Vehicles	(3,816,144)	(115,092)	236,880	-	(3,694,356)
Total	<u>(308,171,134)</u>	<u>(30,998,869)</u>	<u>253,526</u>	<u>-</u>	<u>(338,916,477)</u>
Total capital assets, being depreciated, net	<u>357,700,473</u>	<u>(27,722,166)</u>	<u>(31,862)</u>	<u>4,424,228</u>	<u>334,370,673</u>
Total capital assets, net	<u>\$ 395,595,928</u>	<u>\$ (24,903,260)</u>	<u>\$ (31,862)</u>	<u>\$ -</u>	<u>\$ 370,660,806</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2015 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	\$ 191,280,000	\$ -	\$ (10,875,000)	\$ 180,405,000	\$ 11,165,000
Plus unamortized premiums	8,402,817	-	(1,002,287)	7,400,530	-
Less unamortized discounts	(46,839)	-	12,556	(34,283)	-
Revenue bonds, net	199,635,978	-	(11,864,731)	187,771,247	11,165,000
Notes payable	53,469,825	-	(2,515,468)	50,954,357	2,590,528
Net pension liability	8,565,678	3,259,713	(7,101,676)	4,723,715	-
OPEB obligation	5,922,709	1,011,230	(157,929)	6,776,010	-
Compensated absences	1,011,348	860,455	(752,256)	1,119,547	789,869
Total long-term liabilities	<u>\$ 268,605,538</u>	<u>\$ 5,131,398</u>	<u>\$ (22,392,060)</u>	<u>\$ 251,344,876</u>	<u>\$ 14,545,397</u>

Revenue Bonds

The Authority issues revenue bonds to improve existing water and sewer systems, for construction and equipping certain capital facilities, and to repay principal and interest of prior bond issues when necessary. These bonds are secured by and payable from net revenues of the Authority's water and sewer systems. Net revenues include operating revenues, property taxes, impact fees and other income less operating expenses, excluding depreciation. For the fiscal year ended June 30, 2015, net revenues totaled \$37,241,864 and total debt service related to the revenue bonds totaled \$18,388,966. Revenue bonds outstanding at June 30, 2015 are as follows:

<u>Interest Rate</u>	<u>Due Date</u>	
3.75%-6.15%	2020	\$ 11,910,000
4.90%-6.00%	2020	5,370,000
3.00%-5.25%	2030	45,395,000
5.00%	2026	29,785,000
2.00%-5.00%	2030	17,745,000
1.50%-4.00%	2018	9,500,000
2.16%	2028	60,700,000
		<u>180,405,000</u>
	Plus unamortized premiums	7,400,530
	Less unamortized discounts	(34,283)
		<u>\$ 187,771,247</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,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	12,565,000	5,578,210	18,143,210
2021-2025	60,365,000	20,919,578	81,284,578
2026-2030	60,690,000	8,421,148	69,111,148
Total	<u>\$ 180,405,000</u>	<u>\$ 61,509,267</u>	<u>\$ 241,914,267</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, 2015:

<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	
3.00%	20 years	2030	\$ 14,333,453
3.00%	20 years	2030	16,552,649
3.00%	20 years	2032	18,539,755
3.00%	20 years	2032	1,528,500
			<u>\$ 50,954,357</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>
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	2,920,897	1,164,326	4,085,223
2021-2025	15,999,420	4,426,693	20,426,113
2026-2030	18,583,903	1,842,210	20,426,113
2031-2033	2,599,620	60,799	2,660,419
Total	<u>\$ 50,954,357</u>	<u>\$ 12,984,402</u>	<u>\$ 63,938,759</u>

NOTE 6. DEFINED BENEFIT PENSION PLAN

Plan Description. On January 1, 2004, the Authority established a contributory defined benefit pension plan, The Henry County Water & Sewer Retirement Plan (the Plan), covering substantially all of the Authority's employees. The Plan is administered by the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association (GMA). The Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. GMA, in its role as the Plan Sponsor, has the sole authority to amend the provisions of the Plan. The Authority has the authority to amend the adoption agreement, which defines the specific benefit provisions of the Plan. The Georgia Municipal Association (GMA) issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained from Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, Atlanta, Georgia 30303-3606.

Plan Membership. As of January 1, 2015, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	41
Inactive plan members entitled to but not receiving benefits	21
Active plan members	209
	<u>271</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions. The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted an actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. Plan participants are required to contribute a percentage of their compensation to the plan. For the year ended June 30, 2015, the active member required contribution rate was 5% and the Authority's contribution rate was 8.62% of annual payroll. Authority contributions to the Plan were \$2,531,177 for the year ended June 30, 2015.

Net pension liability. Effective July 1, 2014 the Authority implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which significantly changed the disclosures related to the Plan. The information presented below is presented in accordance with this standard.

The Authority's net pension liability was measured as of September 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 with update procedures performed by the actuary to roll forward the total pension liability measured as of September 30, 2014.

The Authority's net pension liability for the year ended June 30, 2015 is as follows:

Total pension liability	\$	31,988,766
Plan net position		<u>27,265,051</u>
Net pension liability	\$	<u><u>4,723,715</u></u>
Plan net position as a percentage of the total pension liability		85%

NOTES TO FINANCIAL STATEMENTS

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net pension liability (continued). The Authority's changes in the net pension liability by source and the derivation of the Authority's pension expense for the fiscal year ended June 30, 2015 are reflected below:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)	Pension Expense
Beginning Balance	\$ 31,492,595	\$ 22,926,917	\$ 8,565,678	
Changes for the year:				
Service cost	828,707	-	828,707	\$ 828,707
Interest	2,402,683	-	2,402,683	2,402,683
Differences between expected and actual experience	(279,992)	-	(279,992)	-
Amortization of experience differences	-	-	-	(46,667)
Assumption Changes	(1,474,753)	-	(1,474,753)	-
Amortization of assumption changes	-	-	-	(245,793)
Contributions—employer	-	2,148,491	(2,148,491)	-
Contributions—employee	-	554,460	(554,460)	(554,460)
Net investment income	-	2,643,980	(2,643,980)	(1,842,485)
Amortization of investment earnings differences	-	-	-	(160,299)
Benefit payments, including refunds of employee contributions	(980,474)	(980,474)	-	-
Administrative expense	-	(28,323)	28,323	28,323
Net changes	496,171	4,338,134	(3,841,963)	\$ 410,009
Ending Balance	\$ 31,988,766	\$ 27,265,051	\$ 4,723,715	

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

NOTES TO FINANCIAL STATEMENTS

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Deferred outflows and inflows of resources. The Authority reported deferred outflows and inflows of resources related to pensions from the following sources as of June 30, 2015:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension experience differences	\$ -	\$ 233,325
Pension assumption changes	-	1,228,960
Pension investment return	-	641,196
Pension contribution subsequent to measurement date	1,120,907	-
Total	\$ 1,120,907	\$ 2,103,481

Authority contributions subsequent to the measurement date of \$1,120,907 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:			
2016		\$ (452,756)	
2017		(452,756)	
2018		(452,756)	
2019		(452,756)	
2020		(292,457)	
Total		(2,103,481)	

Actuarial assumptions. The following actuarial assumptions apply to all periods included in the measurement:

Inflation		3.25%
Salary increases	3.25% - 8.75%, including inflation	
Investment return		7.75%

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

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – June 30, 2014.

Cost of living adjustments were assumed to be 1.00%.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial assumptions (continued). The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return*
Domestic equity	50%	5.95%
International equity	15%	6.45%
Fixed income	25%	1.55%
Real estate	10%	3.75%
Cash	0%	
Total	100%	

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

Discount rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Authority contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions and also on considering the Plan's net position as of June 30, 2015, the Plan's net position was projected to be available to make projected future benefit payments of current plan members for all future Plan years. Therefore, the long-term expected rate of return on pension plan investments (7.75%) becomes the discount rate and thus was applied to all projected future benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Authority, calculated using the discount rate of 7.75%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate.

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Authority's net pension liability	\$ 8,947,745	\$ 4,723,715	\$ 1,249,411

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of June 30, 2015 and the current sharing pattern of costs between employer and employee.

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 Post-retirement 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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.

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	<u>27</u>
Total	<u><u>240</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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
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
2015	1,011,230	157,929	15.62	6,776,010

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

Annual required contribution	\$ 1,108,313
Interest from net OPEB obligation	266,522
Adjustment of net OPEB obligation	<u>(363,605)</u>
Annual OPEB cost	1,011,230
Actual contribution to the plan	<u>(157,929)</u>
Increase in net OPEB obligation	853,301
Net OPEB obligation as of July 1, 2014	5,922,709
Net OPEB obligation as of June 30, 2015	<u><u>\$ 6,776,010</u></u>

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

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
6/30/2015	\$ -	\$ 8,038,566	\$ 8,038,566	- %	\$ 12,333,741	65.2 %

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

The Authority has determined that a restatement to the July 1, 2014 beginning net position was required to recognize the change in accounting principle for the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* through which accounting for pension plans and the related disclosure requirements were modified. This adjustment resulted in a change to the beginning net position of the Authority as follows:

Beginning net position, July 1, 2014, as previously presented	\$ 230,268,010
Change in accounting principle due to the implementation of GASB Statement No. 68	<u>(13,317,131)</u>
Beginning net position, July 1, 2014, as restated	<u><u>\$ 216,950,879</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

HENRY COUNTY WATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN FOR THE EMPLOYEES OF HENRY COUNTY WATER AUTHORITY
SCHEDULE OF CHANGES IN THE AUTHORITY'S NET PENSION LIABILITY
AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2015
Total pension liability	
Service cost	\$ 828,707
Interest on total pension liability	2,402,683
Differences between expected and actual experience	(279,992)
Changes in assumptions and/or cost method	(1,474,753)
Benefit payments, including refunds of employee contributions	(980,474)
Net change in total pension liability	496,171
 Total pension liability - beginning	 31,492,595
Total pension liability - ending (a)	\$ 31,988,766
 Plan fiduciary net position	
Contributions - employer	\$ 2,148,491
Contributions - employee	554,460
Net investment income	2,643,980
Benefit payments, including refunds of member contributions	(980,474)
Administrative expenses	(28,323)
Net change in plan fiduciary net position	4,338,134
 Plan fiduciary net position - beginning	 22,926,917
Plan fiduciary net position - ending (b)	\$ 27,265,051
 Authority's net pension liability (asset) - ending (a) - (b)	 \$ 4,723,715
 Plan fiduciary net position as a percentage of the total pension liability	 85.2%
 Covered-employee payroll	 \$ 10,400,334
 Net pension liability as a percentage of covered-employee payroll	 45.4%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

HENRY COUNTY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION RETIREMENT PLAN FOR THE EMPLOYEES OF HENRY COUNTY WATER AUTHORITY SCHEDULE OF AUTHORITY CONTRIBUTIONS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2015	2014
Actuarially determined contribution	\$ 1,537,238	\$ 1,491,921
Contributions in relation to the actuarially determined contribution	2,531,177	2,132,280
Contribution deficiency (excess)	\$ (993,939)	\$ (640,359)
Covered employee payroll	\$ 10,400,334	\$ 9,835,682
Contributions as a percentage of covered-employee payroll	24.34%	21.68%

Notes to the Schedule:

(1) Actuarial Assumptions

Valuation Date	January 1, 2015
Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Assumed Rate of Return on Investments	7.75%
Projected Salary Increases	3.75%-8.75%, including 3.25% for inflation
Cost of Living Adjustments	1.00%
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 30 years.

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

HENRY COUNTY WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

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
6/30/2015	-	8,038,566	8,038,566	-	12,333,741	65.2

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	41 - 47
<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.....	48 - 59
<i>These schedules contain information to help the reader assess the Authority's most significant local revenue sources.</i>	
Debt Capacity.....	60 - 62
<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.....	63 - 65
<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.....	66 - 69
<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.

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.

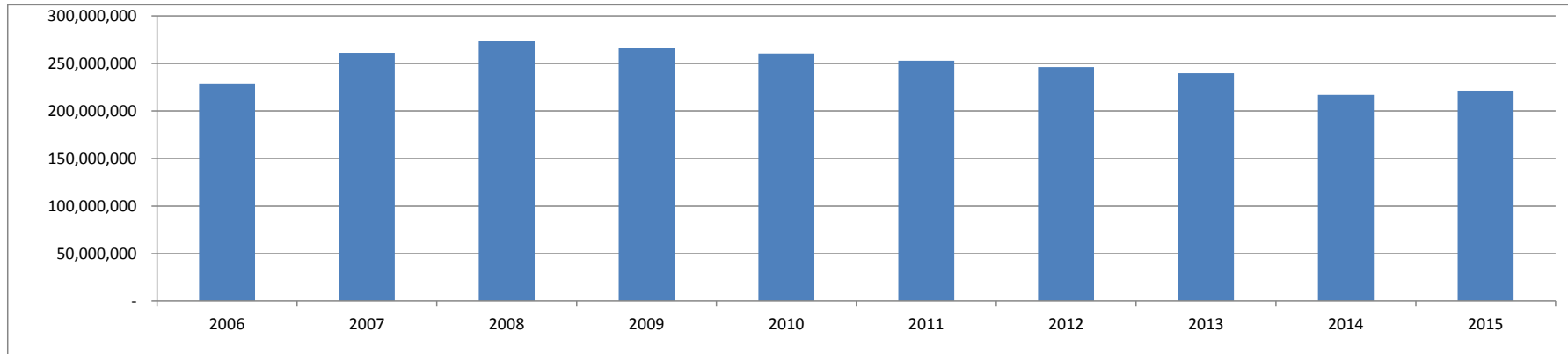
FINANCIAL TRENDS

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net investment in capital assets	\$ 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	\$ 149,576,330
Restricted for:										
Debt service	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	73,776,950
Unrestricted	<u>4,188,297</u>	<u>6,877,064</u>	<u>8,406,044</u>	<u>4,685,547</u>	<u>5,006,054</u>	<u>6,330,880</u>	<u>8,036,510</u>	<u>7,841,733</u>	<u>(3,273,595)</u>	<u>(2,014,333)</u>
Total net position	<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>\$ 216,950,879</u>	<u>\$ 221,338,947</u>

NOTE: Unrestricted net position for FY 14 was adjusted to reflect the implementation of GASB 68. See Footnote 9.

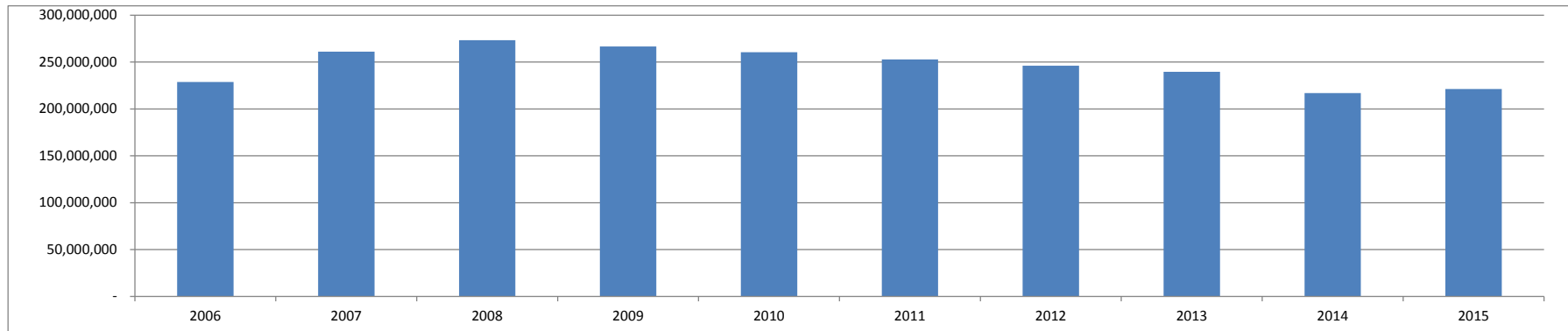


HENRY COUNTY WATER AUTHORITY
CHANGES IN NET POSITION
LAST TEN YEARS

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating Revenues	\$ 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	\$ 52,356,053
Operating Expenses	36,852,752	41,664,705	48,950,470	54,755,618	55,812,639	56,525,236	54,864,449	54,586,091	72,914,560	61,274,837
Operating Income (Loss)	(4,119,749)	(5,646,359)	(13,248,343)	(17,409,330)	(15,850,727)	(12,930,110)	(8,896,921)	(8,204,703)	(24,424,779)	(8,918,784)
Non-Operating Revenue (Expense)	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)	3,179,228
Gain (Loss) before Contributions	(186,264)	1,774,439	(7,335,141)	(12,478,503)	(11,790,372)	(11,292,638)	(10,163,971)	(7,636,936)	(27,216,102)	(5,739,556)
Capital Contributions	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	10,127,624
Change in Net Position	27,405,704	32,286,529	12,361,548	(6,789,122)	(6,221,598)	(7,527,721)	(6,777,050)	(6,416,283)	(22,772,145)	4,388,068
Net Position - Beginning	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	216,950,879
Net Position - Ending	\$ 228,806,721	\$ 261,093,250	\$ 273,454,798	\$ 266,665,676	\$ 260,444,078	\$ 252,916,357	\$ 246,139,307	\$ 239,723,024	\$ 216,950,879	\$ 221,338,947

Note:

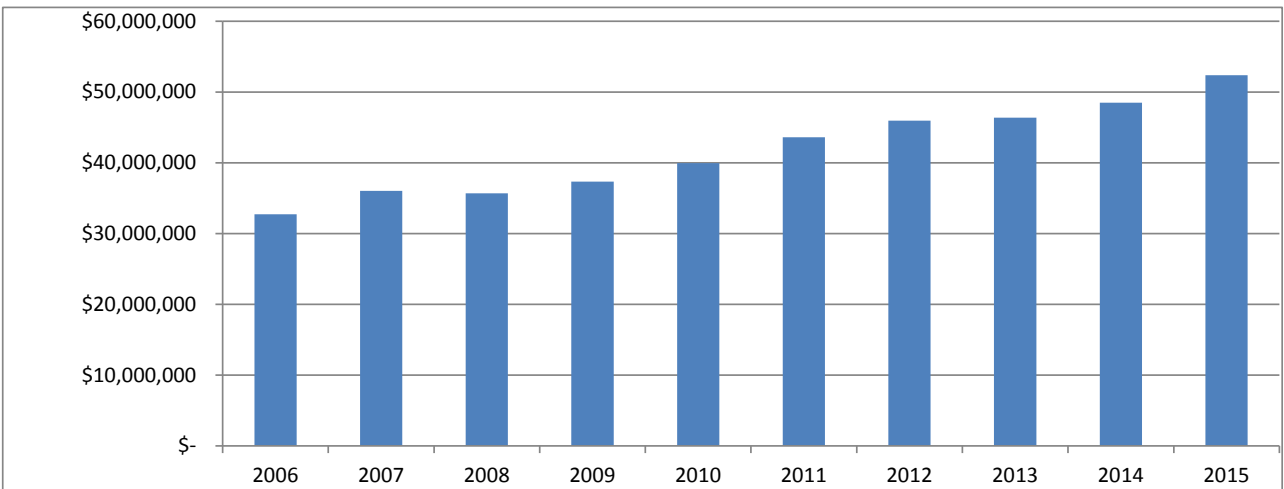
Operating expenses for FY 14 were adjusted to reflect the implementation of GASB 68 in FY15. See Footnote 9.
See the Operating Revenues statistical schedule for a breakdown by revenue source.
See the Non-Operating Revenues (Expenses) statistical schedule for a breakdown by non-operating revenue (expense) item.



HENRY COUNTY WATER AUTHORITY

OPERATING REVENUES BY SOURCE LAST TEN YEARS

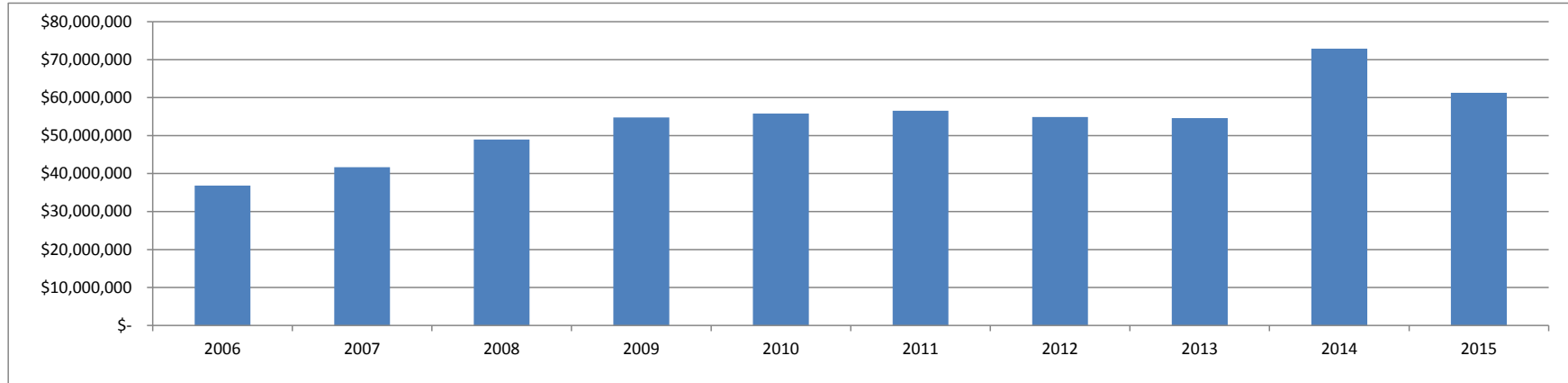
Fiscal Year	Water Revenues	Sewer Revenues	Connection Fees	Other Fees and Charges	Total
2006	\$ 24,496,078	\$ 7,113,762	\$ 771,385	\$ 351,778	\$ 32,733,003
2007	27,090,802	7,985,196	469,160	473,188	36,018,346
2008	26,475,486	8,469,760	217,259	539,622	35,702,127
2009	27,309,977	9,188,611	124,707	722,993	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
2015	36,473,745	13,740,887	340,685	1,800,736	52,356,053



HENRY COUNTY WATER AUTHORITY
OPERATING EXPENSES BY FUNCTION
LAST TEN YEARS

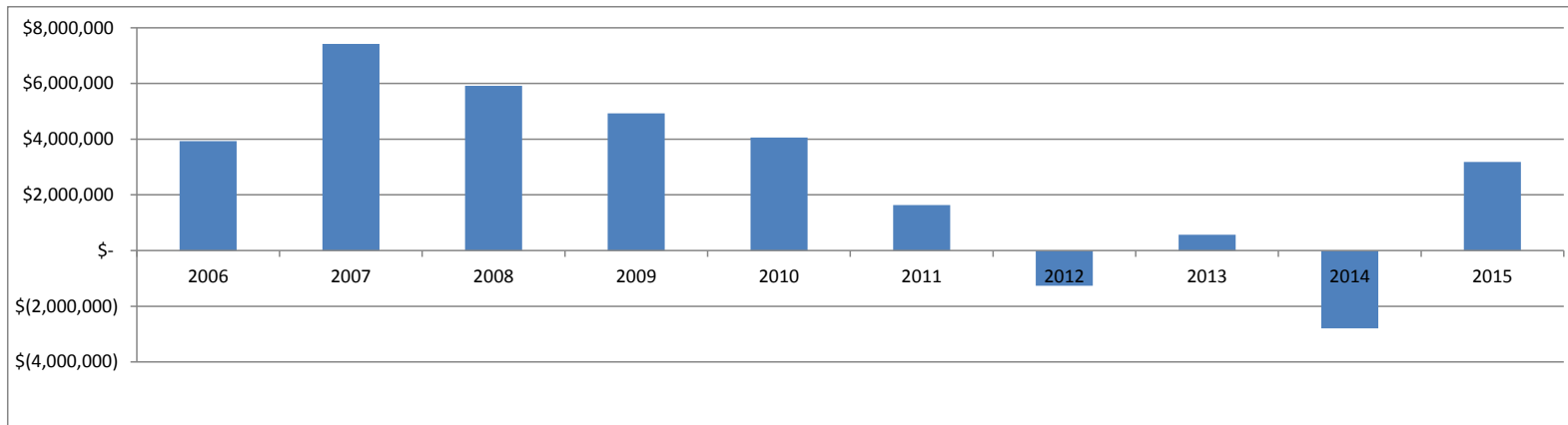
Fiscal Year	Water Treatment	Water Purchase	Customer Service and Connection	Wastewater Treatment	Repairs and Maintenance	Administrative and Engineering	Depreciation	Information Technology	Total Operating Expenses
2006	\$ 3,274,102	\$ 397,834	\$ 3,401,765	\$ 3,355,143	\$ 6,018,254	\$ 3,700,723	\$ 15,550,652	\$ 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	6,788,579	169,601	4,675,927	6,899,904	14,029,159	7,330,298	31,074,795	1,946,297	72,914,560
2015	4,796,858	176,514	3,406,955	4,834,437	10,230,372	5,349,187	30,998,869	1,481,645	61,274,837

NOTE: Operating expenses for FY 14 were adjusted to reflect the implementation of GASB 68. See Footnote 9.



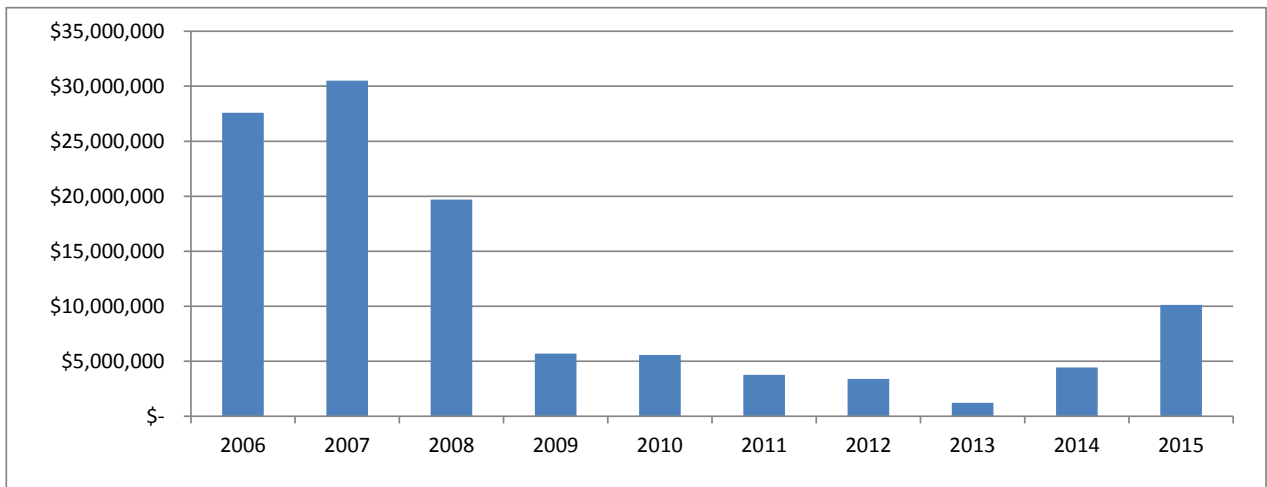
HENRY COUNTY WATER AUTHORITY
NON-OPERATING REVENUES (EXPENSES)
LAST TEN YEARS

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)
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)
2015	10,509,669	1,142,548	47,831	-	(8,549,199)	28,379	-	3,179,228



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

<u>Fiscal Year</u>	<u>Impact Fees</u>	<u>Contributions for Project Improvements</u>	<u>Contributions in Kind</u>	<u>Total</u>
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
2015	3,433,352	3,888,395	2,805,877	10,127,624

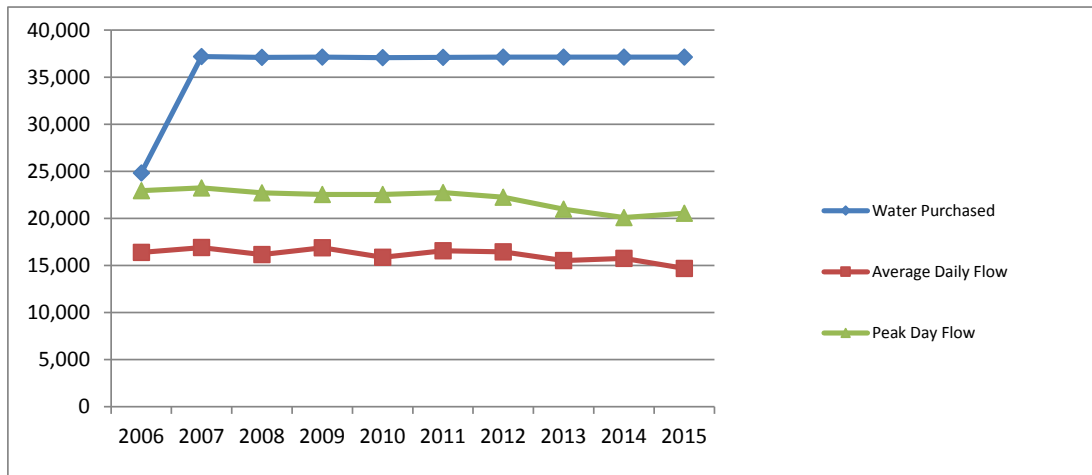


REVENUE CAPACITY

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)

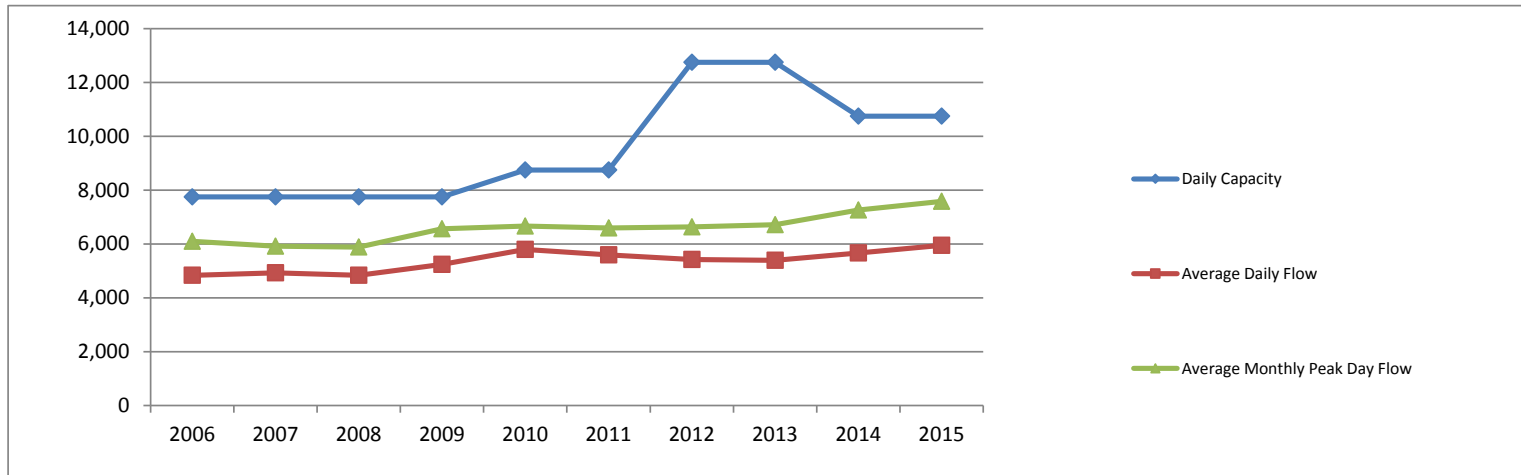
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Maximum Permitted Daily Capacity of Water										
Treatment Plants:										
Towaliga water treatment plant	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
Tusahaw water treatment plant	-	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Water Purchased	830	186	112	114	65	108	121	135	141	116
	24,830	37,186	37,112	37,114	37,065	37,108	37,121	37,135	37,141	37,116
Average daily flow	16,387	16,896	16,144	16,869	15,867	16,553	16,451	15,533	15,753	14,689
Percent of Capacity used	66%	45%	44%	45%	43%	45%	44%	42%	42%	40%
Avg. Summer Peak Day flow	22,948	23,241	22,717	22,533	22,548	22,739	22,252	20,978	20,090	20,537
Percent of Capacity used	92%	62%	61%	61%	61%	61%	60%	56%	54%	55%



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)

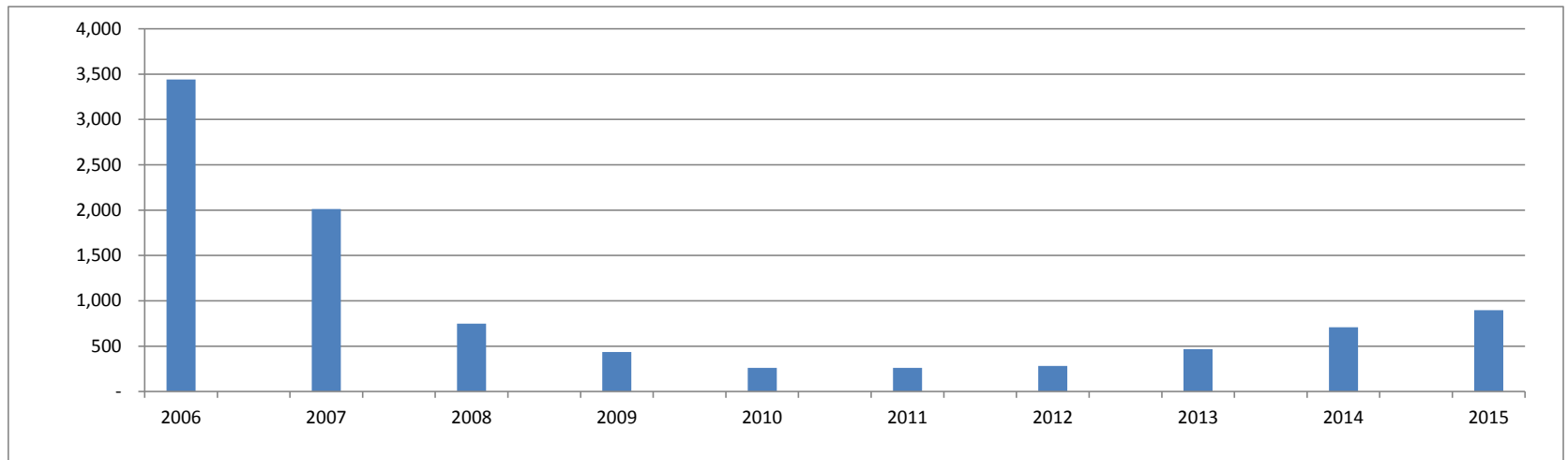
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Permitted Daily Capacity of Sewerage Treatment Plants:										
Springdale sewerage plant	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000 (taken out of service)		
Indian Creek sewerage plant	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Bear Creek sewerage plant	250	250	250	250	1,250	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	8,000	8,000	8,000	8,000
Total Permitted Capacity	7,750	7,750	7,750	7,750	8,750	8,750	12,750	12,750	10,750	10,750
Average daily flow	4,835	4,931	4,837	5,237	5,796	5,597	5,423	5,389	5,663	5,950
Percent of Capacity used	62%	64%	62%	68%	66%	64%	43%	42%	53%	55%
Avg. Monthly Peak Day flow	6,099	5,922	5,884	6,563	6,669	6,598	6,634	6,719	7,263	7,583
Percent of Capacity used	79%	76%	76%	85%	76%	75%	52%	53%	68%	71%



Source: Henry County Water Authority historical financial records

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Size of Meter										
3/4"	3,191	1,839	635	305	234	243	244	434	666	855
1"	109	84	70	64	19	13	29	25	32	33
1.5"	1	-	-	1	-	-	-	1	2	-
2"	85	52	30	39	4	2	6	7	6	4
3"	-	-	-	-	-	-	-	-	-	-
4"	2	3	-	-	1	-	-	-	1	-
6"	37	16	10	17	1	1	2	1	1	3
8"	8	16	2	7	-	-	1	-	1	2
10"	7	1	1	2	-	-	-	-	-	-
Total	3,440	2,011	748	435	259	259	282	468	709	897

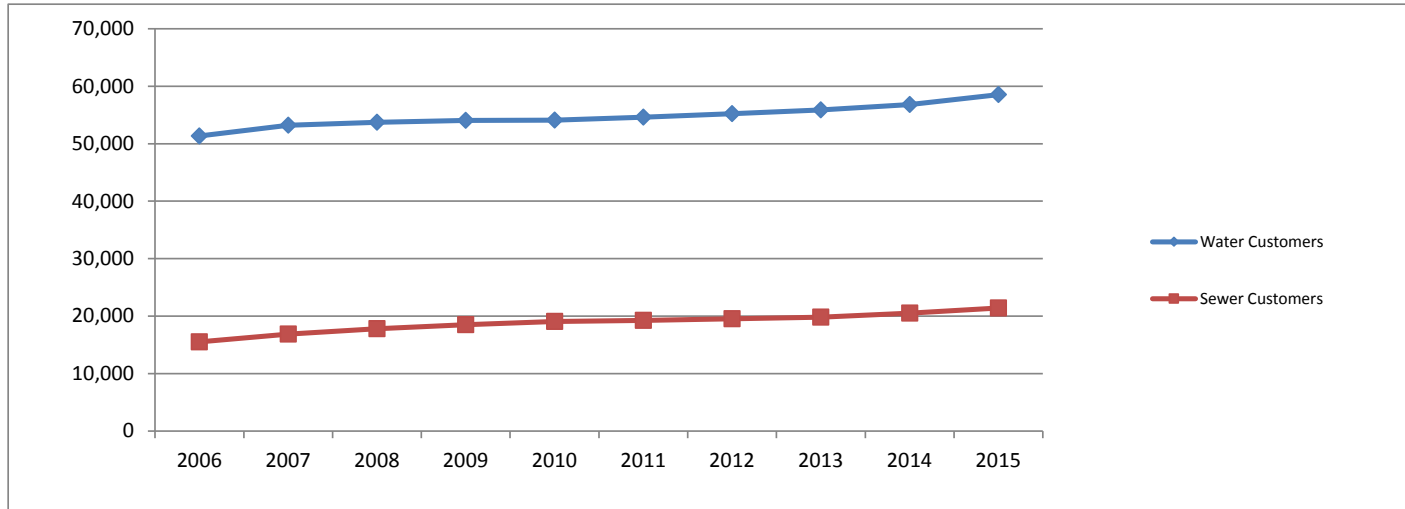


Source: Henry County Water Authority historical financial records

HENRY COUNTY WATER AUTHORITY

NUMBER OF CUSTOMERS LAST TEN FISCAL YEARS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Water Customers										
Residential	49,818	51,539	51,977	52,276	52,300	52,832	53,396	53,979	54,887	56,577
Commercial & Industrial	1,524	1,672	1,757	1,790	1,790	1,792	1,837	1,877	1,924	1,955
Municipal	4	4	4	4	4	4	4	4	4	4
	51,346	53,215	53,738	54,070	54,094	54,628	55,237	55,860	56,815	58,536
Sewerage Customers										
Residential	14,806	16,068	16,983	17,626	18,186	18,354	18,651	18,907	19,598	20,499
Commercial & Industrial	715	785	844	873	887	881	900	889	903	915
Municipal	1	1	1	1	1	1	1	-	-	1
	15,522	16,854	17,828	18,500	19,074	19,236	19,552	19,796	20,501	21,415



Source: Henry County Water Authority historical financial records

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<u>Water</u>										
Base Charge	15.07*	15.82*	9.25	9.71	10.20	10.70	11.24	11.80	12.39	12.39
Charge per 1,000 gallons: over 3,000 gallons	4.23	4.44								
-0- to 6,000 gallons			3.50	3.68	3.86	4.05	4.25	4.46	4.68	4.68
6,001 to 10,000 gallons			4.75	4.99	5.24	5.50	5.78	6.07	6.37	6.37
over 10,000 gallons			6.95	7.30	7.67	8.05	8.45	8.87	9.31	9.31
<u>Sewerage</u>										
Base Charge	15.07*	15.82*	9.25	9.71	10.20	10.70	11.24	11.80	12.39	12.39
Charge per 1,000 gallons: over 3,000 gallons	4.23	4.44								
-0- to 6,000 gallons			3.50	3.68	3.86	4.05	4.25	4.46	4.68	4.68
over 6,000 gallons			4.75	4.99	5.24	5.50	5.78	6.07	6.37	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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<u>Water</u>										
Base Charge:										
3/4"	15.07*	15.82*	9.25	9.71	10.20	10.70	11.24	11.80	12.39	13.01
1"	15.07*	15.82*	9.25	9.71	10.20	10.70	11.24	11.80	12.39	13.01
1.5"	34.22	35.93	46.25	48.56	50.99	53.54	56.22	59.03	61.98	65.08
2"	122.18	128.29	128.29	134.70	141.44	148.51	155.94	163.74	171.92	180.52
3"	260.62	273.65	240.54	252.57	265.20	278.46	292.38	307.00	322.35	338.47
4"	325.79	342.08	352.80	370.44	388.96	408.41	428.83	450.27	472.78	496.42
6"	570.12	598.63	487.50	511.88	537.47	564.34	592.56	622.19	653.29	685.95
8"	692.29	726.90	602.96	633.11	664.77	698.01	732.90	769.55	808.02	924.21
10"	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	1,317.79
Charge per 1,000 gallons: over 3,000 gallons per 1,000 gallons	4.23	4.44	4.75	4.99	5.24	5.50	5.78	6.07	6.37	6.69
<u>Sewerage</u>										
Base Charge	15.07*	15.82*	9.25	9.71	10.20	10.70	11.24	11.80	12.39	13.01
Charge per 1,000 gallons: over 3,000 gallons per 1,000 gallons	4.23	4.44	4.75	4.99	5.24	5.50	5.78	6.07	6.37	6.69

* 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)					
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%
2015	3,571,245,625	2,538,835,322	407,309,750	8,692,776	1,308,650,163	5,217,433,310	14.30	13,043,583,275	40%

Source: Henry County Tax Commissioner

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

NOTE: Information provided includes all of Henry County and is 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,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Henry County rates										
Maintenance & Operations										
Unincorporated	14.13	14.13	14.37	13.89	13.71	14.89	18.52	18.71	18.39	17.65
Insurance Reduction (1)	-	-	-	-	-	-	-	-	-	-
Municipal rates										
McDonough (2)	2.56	2.51	2.45	2.59	2.59	3.45	4.39	4.39	4.38	4.92
Stockbridge	-	-	-	-	-	-	-	-	-	-
Hampton	-	-	-	-	-	-	-	-	-	-
Locust Grove	-	-	-	-	-	-	-	-	-	-
LOST Reduction	(2.89)	(2.93)	(3.17)	(2.92)	(2.92)	(3.14)	(4.02)	(4.21)	(4.09)	(3.78)
Police Protection	-	-	-	-	-	1.72	1.91	1.94	1.92	1.79
Fire Protection	1.18	1.21	1.16	1.22	1.22	1.15	1.02	0.68	0.60	0.57
Planning & Development	0.02	-	-	-	-	0.23	0.14	0.10	0.02	0.01
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	0.00	0.00	0.00	0.00
Board of Education										
Maintenance & Operations	19.40	20.00	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	3.63	3.63	3.63	3.63
State of Georgia	0.25	0.25	0.25	0.25	0.25	0.25	0.20	0.15	0.10	0.05
Total Unincorporated	36.95	37.51	37.51	37.28	37.28	38.06	40.33	40.28	40.03	39.55
Total Municipalities (3), (4)										
McDonough	37.03	37.48	37.58	38.14	38.14	38.42	41.65	41.58	41.32	42.10
Stockbridge	36.95	37.47	37.51	37.02	37.02	38.06	40.33	40.28	40.03	39.55
Hampton	35.65	36.23	36.29	36.17	36.17	36.35	38.34	38.29	38.04	37.76
Locust Grove	35.67	35.69	36.29	35.87	35.87	36.11	38.28	38.08	37.83	37.75

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 is not only related to Henry County Water Authority

HENRY COUNTY WATER AUTHORITY

PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Henry Co Development Authority	\$ 36,473,830	1	0.70	\$ -	-	-
Georgia Power Company	35,119,190	2	0.67	19,154,273	4	0.37
Atlanta Motor Speedway	24,699,200	3	0.47	20,309,250	3	0.40
US Industrial Reit II	21,000,000	4	0.40	-	-	-
Georgia Crown Distributing	22,045,432	5	0.42	-	-	-
Bellsouth Telecomm	21,234,252	6	0.41	21,705,319	2	0.42
Norfolk Southern Combined	21,187,054	7	0.41	-	-	-
Trees of Avalon LLC	18,286,998	8	0.35	-	-	-
Inland Western McDonough	18,457,584	9	0.35	-	-	-
Georgia Transmission Corp	17,472,975	10	0.33	-	-	-
Cardinal Health 103, Inc	-	-	-	40,023,814	1	0.78
Henry County Town Center LLC	-	-	-	18,864,440	5	0.37
Ken's Foods, Inc.	-	-	-	13,930,393	6	0.27
Istar Financial Inc.	-	-	-	13,587,200	7	0.27
Weeks Realty LP	-	-	-	13,058,360	8	0.25
TRU Properties Inc.	-	-	-	12,028,760	9	0.23
Atlanta Gas Light Company	-	-	-	11,225,708	10	0.22
Totals	\$ 235,976,515		4.52 %	\$ 183,887,517		2.82 %

The fiscal year 2015 total taxable assessed value is: 5,217,433,310
The fiscal year 2006 total taxable assessed value is: 5,123,592,344

Source: Henry County Tax Commissioner

NOTE: Information provided includes all of Henry County and is 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
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
2015	193,276,894	188,413,250	97.5	3,376,296	191,789,546	99.2

Source: Henry County Tax Commissioner

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

HENRY COUNTY WATER AUTHORITY

TEN LARGEST CUSTOMERS CURRENT YEAR AND NINE YEARS AGO

Water

	2015		2006
Board of Education	\$ 972,577		\$ 582,040
City of Stockbridge	674,198		509,011
City of Hampton	546,314		301,561
Ken's Foods, Inc	517,373		191,391
Piedmont Henry Medical Center	320,765		183,731
City of McDonough	141,733		168,584
Amber Chase Apts	128,775		98,035
Trees of Avalon Apts-Wilwat Properties	127,762		95,927
Saddlecreek Apts-Vista Bridge Mill	126,325		86,358
Preston Creek Apts	125,108		84,849
	\$ 3,680,930		\$ 2,301,487
% of total Water Revenue	10.1%		9.4%

Sewer

	2015		2006
Board of Education	\$ 356,398		\$ 204,283
Ken's Foods, Inc	338,491		125,884
Henry Medical Center	289,402		116,730
Saddlecreek Apts-Vista Bridge Mill	118,378		83,098
Sable Chase Apts	111,453		80,981
Hollingsworth Capital Parp	108,437		78,268
Trees of Avalon Apts-Wilwat Properties	107,854		68,775
Preston Creek Apts	107,718		60,051
Amber Chase Apts	103,252		56,859
H P I Waterford LLC	95,588		51,563
	\$ 1,736,971		\$ 926,492
% of total Sewer Revenue	12.6%		13.0%

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>
2006	\$ -	\$ 174,536,270	\$ 174,536,270	\$ 70,540,487	\$ 245,076,757	5.43%	168,204	1,457
2007	-	171,151,028	171,151,028	91,752,681	262,903,709	4.68%	186,308	1,411
2008	-	166,511,545	166,511,545	96,805,241	263,316,786	4.49%	190,700	1,381
2009	-	161,632,063	161,632,063	111,630,461	273,262,524	4.69%	192,800	1,417
2010	-	156,873,772	156,873,772	126,967,301	283,841,073	4.69%	194,400	1,460
2011	-	151,380,888	151,380,888	135,834,524	287,215,412	4.56%	207,800	1,382
2012	-	146,520,500	146,520,500	131,800,367	278,320,867	4.25%	209,500	1,329
2013	70,100,000	140,611,317	210,711,317	55,911,042	266,622,359	3.91%	211,300	1,262
2014	65,900,000	133,735,978	199,635,978	53,469,825	253,105,803	3.84%	214,500	1,180
2015	60,700,000	127,071,247	187,771,247	50,954,357	238,725,604	3.30%	214,869	1,111

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 (Loss)	Property Taxes	Impact Fees				Principal	Interest	Total	
2006	\$ 32,733,003	\$ 2,158,880	\$ 11,834,752	\$ 8,840,607	\$ 21,302,100	\$ 34,265,142	\$ 2,915,000	\$ 8,632,675	\$ 11,547,675	2.97	
2007	36,018,346	4,088,299	13,009,313	5,908,273	23,400,032	35,624,199	4,095,000	8,532,190	12,627,190	2.82	
2008	35,702,127	2,957,473	13,904,173	6,108,482	26,144,686	32,527,569	4,285,000	7,971,047	12,256,047	2.65	
2009	37,346,288	1,126,848	14,919,553	1,051,561	29,157,471	25,286,779	4,525,000	7,973,590	12,498,590	2.02	
2010	39,961,912	197,254	14,630,934	1,357,251	29,178,298	26,969,053	4,730,000	7,775,799	12,505,799	2.16	
2011	43,595,126	261,441	12,738,735	952,480	28,684,590	28,863,192	4,890,000	7,501,931	12,391,931	2.33	
2012	45,967,528	8,365	11,951,771	1,514,751	27,976,977	31,465,438	4,930,000	7,407,229	12,337,229	2.55	
2013	46,381,388	77,362	10,623,066	1,516,803	27,456,512	31,142,107	1,430,000	6,246,453	7,676,453	4.06 ⁽¹⁾	
2014	48,489,781	(4,382,806) ⁽³⁾	10,682,615	2,788,161	41,839,765	15,737,986	9,515,000	7,687,046	17,202,046	0.91 ⁽²⁾	
2015	52,356,053	76,210	11,652,217	3,433,352	30,275,968	37,241,864	10,875,000	7,513,966	18,388,966	2.03 ⁽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 and 2015 ratio includes both Jr. and Sr. Lien Bond debt. The ratio excluding Jr. Lien debt is 2.42 and 3.07, respectively.

⁽³⁾ During fiscal year 2014, the Authority decommissioned the Springdale Treatment Plant.

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	2015			2006		
	Employees (1)	Rank	Percentage of Total County Employment (2)	Employees (1)	Rank	Percentage of Total County Employment (2)
Henry County Board of Education	6,000	1	6.13 %	4,500	1	5.63 %
Henry County Board of Commissioners	1,566	2	1.60	1,395	3	1.74
Walmart Supercenter	1,412	3	1.44	1,350	4	1.69
Piedmont Henry	1,281	4	1.31	1,499	2	1.87
Federal Aviation Administration	800	5	0.82	706	5	0.88
PVH	710	6	0.73			
Georgia Power Company	544	7	0.56	505	7	0.63
Southern States, Inc	420	8	0.43			
Home Depot DFC #6777	350	9	0.36			
Suntrust Bank	325	10	0.33	700	6	0.88
Snapper				462	8	0.58
Toys R Us				450	9	0.56
Aero Plastics, Inc				350	10	0.44
Totals	<u>13,408</u>		<u>13.70 %</u>	<u>11,917</u>		<u>14.90 %</u>

(1) Source: Henry County Development Authority

(2) Source: U.S. Bureau of Labor Statistics - Henry County Employment 80,000 (2006); Georgia DOL, workforce 97,838 (2015)

NOTE: Information provided includes all of Henry County and is 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 (2)	School Enrollment (3)	Unemployment Rate (4)
2006	177,436	5,120,945	28,402	33.4	37,350	4.4
2007	186,308	5,615,564	29,754	33.4	38,969	4.4
2008	190,700	5,859,183	30,100	33.4	38,421	5.9
2009	192,800	5,821,827	29,126	33.4	40,370	10.1
2010	194,400	6,054,490	28,804	33.4	40,791	10.0
2011	207,800	6,296,670	30,143	31.0	40,951	10.9
2012	209,500	6,548,536	31,509	35.3	40,290	9.5
2013	211,300	6,810,478	32,578	35.3	40,440	8.1
2014	214,500	6,596,125	31,242	35.6	41,000	7.5
2015	214,869	7,224,263	33,779	36.5	41,000	6.1

(1) Source: Bureau of Economic Analysis: Regional Data, Atlanta Regional Commission 2008-2014

(2) Source: Bureau of Economic Analysis

(3) Source: Henry County Board of Education

(4) Source: Georgia Department of Labor

NOTE: 2011 and 2012 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>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>	<u>2015</u>
Water Treatment	26	29	31	31	31	35	34	25	30	28
Customer Service & Connection	34	35	34	34	32	29	27	28	28	27
Wastewater Treatment	31	31	32	31	31	35	32	31	31	30
Repairs & Maintenance	74	82	89	90	81	84	85	93	86	90
Administrative, Engineering & Info Tech	41	49	51	50	47	38	38	38	40	44
	206	226	237	236	222	221	216	215	215	219

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>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>	<u>2015</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	-
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	5,000
	<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>	<u>11,000</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	1,000
	<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>	<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	6,000
	<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>	<u>11,500</u>
Total Water Tank Storage Capacity	<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>	<u>29,200</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>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>	<u>2015</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	9,780,000
Total supply	<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>	<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>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>	<u>14,496,568</u>
Average daily flow										
Average daily production	16,387	16,896	16,144	16,869	15,867	16,553	16,451	15,553	15,753	14,689
Daily Release downstream	<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>	<u>8,280</u>
Total daily flow	<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>	<u>22,969</u>
Number of days supply	307	576	594	576	600	584	586	608	603	631

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, 2015, 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 1, 2015. Our report includes a reference to the changes in accounting principles resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*.

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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses, as item 2015-001, to be a material weakness.

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*.

Henry County Water Authority's Response to Findings

Henry County Water Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Henry County Water Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 1, 2015

HENRY COUNTY WATER AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2015

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
Material weaknesses identified? yes no

Reportable conditions identified not considered
to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

There was not an audit of major federal award programs as of June 30, 2015 due to the total amount expended being less than \$500,000.

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2015-001 Accounting for Accounts Payable, Accrued Interest and Expenditures

Criteria: Generally accepted accounting principles require reporting of all current liabilities when goods have been received or services have been performed, regardless of the timing of related cash flows.

Condition: The Authority did not appropriately record all transactions involving the payables and expenditures related to utilities and interest payments.

Context: We addressed this matter with Authority officials, who were able to determine the appropriate adjustments so as to properly state the balance of accounts payable, accrued interest payable and expenditure accounts at June 30, 2015.

Effect: Audit adjustments were required for the year ending June 30, 2015 resulting in a decrease in net position of \$408,163.

Recommendation: We recommend the Authority record the necessary adjustments to properly reflect the payable and expenditure balances as of year-end.

HENRY COUNTY WATER AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2015

Views of Responsible
Officials and Planned

Corrective Action: We agree the Authority failed to properly accrue revenue bond interest for the month of June and accounts payable invoices on two vendors to the correct fiscal year. The failed recording was an oversight and in the future the Authority will properly record accounts payable and accrued interest.

SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.

STATUS OF PRIOR YEAR AUDIT FINDINGS

None reported.